

COMPANY RESULTS

Marco Polo Marine (MPM SP)

1HFY25: Earnings In Line; Poised For Growth In Offshore Wind Sector

MPM's 1HFY25 revenue and core PATMI met our expectations, forming 42% and 41% of our full-year estimates respectively. Ship chartering revenue fell 3% yoy from reduced rechartering in Taiwan, while shipyard revenue posted a steeper 28% yoy fall amid slower shipbuilding momentum. Looking ahead, the successful deployment of its CSOV and three new CTVs positions MPM well to benefit from growth in the APAC offshore wind sector. Maintain BUY with an unchanged target price of S\$0.066.

1H/2QFY25 UPDATE

Year to 30 Sep (\$m)	1HFY25	yoy % chg	2QFY25	yoy % chg	qoq % chg
Revenue	52.7	(14.4)	26.9	(17.2)	4.3
Gross profit	21.6	(2.7)	11.0	3.8	3.8
Gross margin (%)	41.3	(5.2ppt)	40.9	+8.2ppt	n.m.
PATMI	10.6	(3.6)			
Core PATMI*	9.6	(13.5)			

Source: Marco Polo Marine, UOB Kay Hian

*Excludes foreign exchange losses and one-off gains on disposal

RESULTS

- Results in line.** Marco Polo Marine's (MPM) headline PATMI fell 4% yoy to S\$11m in 1HFY25. Excluding one-off items such as forex gains and disposal gains, MPM's 1HFY25 core PATMI of S\$10m (-14% yoy) was in line with our expectations, at 41% of our full-year forecast as 1H typically registers a weaker performance due to the monsoon season. 1HFY25 revenue fell 14% yoy, while gross profit dipped 3% yoy on the back of gross margin expansion (+5ppt yoy) due to higher ship chartering margins.
- Ship chartering: Reduced third-party vessel chartering in Taiwan.** Ship chartering revenue fell 3% yoy to S\$32m, primarily due to reduced vessel rechartering in Taiwan upon normal project phasing. The impact was partially offset by higher average fleet utilisation of 68% (vs 60% in 1HFY24). Notably, the segment benefitted from a shift from lower-margin rechartering, leading to improved gross margin.
- Shipyard: Weakness due to CSOV construction; expect recovery in 2HFY25.** Shipyard revenue fell 28% yoy to S\$21m, largely attributable to the construction of the commissioning service operation vessel (CSOV), which limits the capacity for third-party shipbuilding projects during the period. Ship repair activity remained stable, leading to a healthy average shipyard utilisation rate of 78% in 1HFY25 (vs 89% in 1HFY24). Looking ahead, the new fourth dry dock is expected to enhance ship repair revenue in 2HFY25, with more meaningful contributions in FY26.

KEY FINANCIALS

Year to 30 Sep (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	127	124	124	156	166
EBITDA	40	34	39	48	51
Operating profit	28	21	25	34	36
Net profit (rep./act.)	23	22	26	32	35
Net profit (adj.)	25	26	26	32	35
EPS (S\$ cents)	0.7	0.7	0.7	0.8	0.9
PE (x)	6.6	6.3	6.3	5.2	4.8
P/B (x)	1.0	0.9	0.8	0.7	0.6
EV/EBITDA (x)	3.0	3.5	3.0	2.5	2.3
Dividend yield (%)	2.3	2.3	4.5	4.5	4.5
Net margin (%)	17.8	17.6	21.0	20.4	20.9
Net debt/(cash) to equity (%)	(35.3)	(18.5)	(30.7)	(43.4)	(55.4)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	14.7	12.3	13.4	14.5	14.2
Consensus net profit	-	-	27	32	37
UOBKH/Consensus (x)	-	-	0.96	1.00	0.95

Source: Marco Polo Marine, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.044
Target Price	S\$0.066
Upside	+49.8%

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 (S\$m):	165.2
Market cap (US\$m):	127.3
3-mth avg daily t'over (US\$m):	0.5

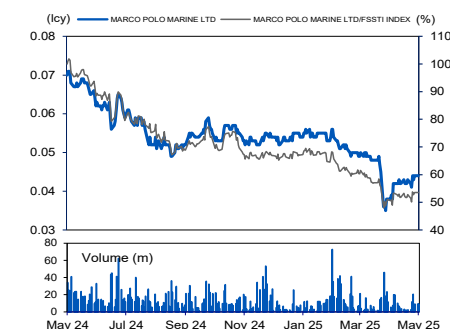
Price Performance (%)

52-week high/low		S\$0.072/S\$0.033		
1mth	3mth	6mth	1yr	YTD
18.9	(20.0)	(21.4)	(35.3)	(18.5)

Major Shareholders

	%
Lee Family	22.6
Apricot Capital	16.2
Penguin International	8.1
FY25 NAV/Share (S\$)	0.05
FY25 Net Cash/Share (S\$)	0.02

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Promising outlook with new CSOV deployed...** While the temporary softening in demand for third-party vessel rechartering in Taiwan has impacted 1HFY25 and is expected to persist through FY25, we remain positive on MPM's growth with its new vessels deployed. The successful maiden deployment of MPM's CSOV, MP Wind Archer, for offshore commissioning work with Siemens at the Hailong Wind Farm from mid Apr-Aug 25 marks a strategic milestone. This short-term charter, typically commanding premium rates, is expected to contribute positively to 2HFY25 results.
- **...and new CTVs scheduled for mid-25 deployment.** Further upside stems from the upcoming deployment of three new crew transfer vessels (CTVs) in Taiwan by mid-25. Furthermore, the group's multi-year framework agreements with Vestas and Siemens in Taiwan and Korea for the respective vessels leave MPM well-positioned to capitalise on the growing offshore wind investment momentum in the APAC region.
- **Higher net cash generation and strong balance sheet.** MPM has improved working capital management, with increased net cash generated from operating activities of S\$19m (+24% yoy). It also boasts a healthy cash position at S\$46m and net asset value of S\$210m (or S\$0.056/share), providing a comfortable level of support for our valuation.

EARNINGS REVISION/RISK

- **We make no changes to our forecasts.**

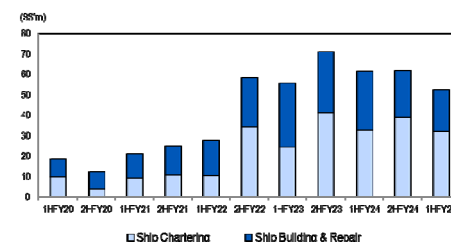
VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of S\$0.066**, pegged to 9.5x FY25F PE or +1SD above its historical three-year PE range. MPM benefits from the high charter rates and is poised to capture growth in Taiwan and Korea. It currently trades at an attractive 6.1x FY25F PE.

SHARE PRICE CATALYST

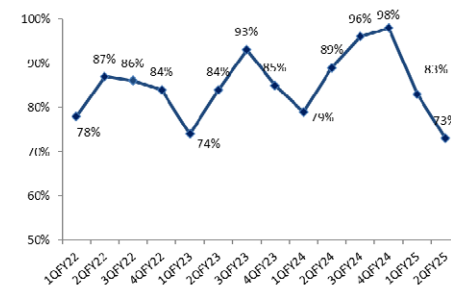
- Higher-than-expected ship charter rates and vessel utilisation.
- Award of new ship chartering contracts.
- Higher value of repair projects during the year.

SEGMENTAL CONTRIBUTION (1HFY20 – 1HFY25)



Source: Marco Polo Marine, UOB Kay Hian

SHIPYARD UTILISATION RATES (1QFY22 – 2QFY25)



Source: Marco Polo Marine, UOB Kay Hian

PROFIT & LOSS

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Net turnover	123.5	124.4	155.6	166.0
EBITDA	33.8	39.3	48.1	50.9
Deprec. & amort.	12.4	14.0	14.3	14.6
EBIT	21.4	25.3	33.8	36.2
Associate contributions	3.3	3.3	0.0	0.0
Net interest income/(expense)	0.2	0.2	0.2	0.2
Pre-tax profit	0.9	1.6	2.9	3.9
Tax	25.7	30.4	36.9	40.3
Minorities	(1.8)	(2.1)	(2.6)	(2.8)
Net profit	(2.2)	(2.2)	(2.6)	(2.9)
Net profit (adj.)	21.7	26.1	31.7	34.6

CASH FLOW

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Operating	37.6	37.2	47.6	52.7
Pre-tax profit	25.7	30.4	36.9	40.3
Tax	(1.8)	(1.5)	(1.2)	(2.1)
Deprec. & amort.	12.4	14.0	14.3	14.6
Working capital changes	9.6	(5.6)	(2.3)	(0.2)
Non-cash items	(8.4)	0.0	0.0	0.0
Investing	(56.0)	(5.5)	(5.1)	(4.1)
Capex (growth)	(69.8)	(8.0)	(8.0)	(8.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	13.9	2.5	2.9	3.9
Financing	25.2	(4.6)	(7.5)	(7.5)
Dividend payments	(3.8)	(3.8)	(7.5)	(7.5)
Issue of shares	0.0	0.0	0.0	0.0
Loan repayment	31.0	0.0	0.0	0.0
Others/interest paid	(2.0)	(0.9)	0.0	0.0
Net cash inflow (outflow)	6.9	27.1	35.0	41.1
Beginning cash & cash equivalent	63.1	68.8	95.9	130.9
Changes due to forex impact	(1.2)	0.0	0.0	0.0
Ending cash & cash equivalent	68.8	95.9	130.9	172.0

BALANCE SHEET

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Fixed assets	148.1	142.1	135.8	129.1
Other LT assets	17.1	14.7	14.7	14.7
Cash/ST investment	68.8	97.9	134.8	177.4
Other current assets	42.9	47.5	58.7	61.6
Total assets	276.9	302.3	343.9	382.9
ST debt	20.4	20.4	20.4	20.4
Other current liabilities	32.6	33.2	41.5	44.3
LT debt	14.4	14.4	14.4	14.4
Other LT liabilities	8.5	11.1	16.0	23.5
Shareholders' equity	183.6	206.0	230.1	257.2
Minority interest	17.4	17.3	21.6	23.0
Total liabilities & equity	276.9	302.3	343.9	382.9

KEY METRICS

Year to 30 Sep (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	27.3	31.6	30.9	30.7
Pre-tax margin	20.8	24.4	23.7	24.3
Net margin	17.6	21.0	20.4	20.9
ROA	8.6	9.0	9.8	9.5
ROE	12.3	13.4	14.5	14.2
Growth				
Turnover	(2.8)	0.7	25.0	6.7
EBITDA	(15.1)	16.4	22.4	5.8
Pre-tax profit	(15.6)	18.3	21.3	9.4
Net profit	(3.9)	20.2	21.5	9.2
Net profit (adj.)	4.3	(0.7)	21.5	9.2
EPS	4.3	(0.7)	21.5	9.2
Leverage				
Debt to total capital	14.8	13.5	12.1	11.0
Debt to equity	18.9	16.9	15.1	13.5
Net debt/(cash) to equity	(18.5)	(30.7)	(43.4)	(55.4)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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