

COMPANY RESULTS

Marco Polo Marine (MPM SP)

1QFY25: Ready To Ride The Green Energy Wave In 2HFY25

MPM released its 1QFY25 business update, where revenue and gross profit declined yoy to form 19%/20% of our forecasts respectively, and are within our expectations. Gross margin continued to expand by 1.1ppt yoy due to higher average charter rates. We expect the performance to recover in 2HFY25, with its maiden CSOV (which we toured last week), three new CTVs deployed in Taiwan and fourth dry dock expected to contribute. Maintain BUY with an unchanged PE-based target price of S\$0.072.

1QFY25 RESULTS

Year to 30 Sep (\$m)	1QFY25	1QFY24	yoy % chg
Revenue	25.8	29.1	(11.3)
Gross profit	10.6	11.6	(8.6)
Gross margin (%)	41.0	39.9	+1.1ppt

Source: Marco Polo Marine, UOB Kay Hian

RESULTS

- Results within expectations.** Marco Polo Marine (MPM) posted lower 1QFY25 revenue of S\$25.8m (-11% yoy), while gross profit of S\$10.6m fell 9% yoy from its record-high in 1QFY24. This accounted for 19% and 20% of our forecasts respectively, in line with expectations as 1H is typically more subdued due to the monsoon season. Gross margin improved 1.1ppt yoy to 41.1% on the back of higher average charter rates.
- Ship chartering: Lower demand for third-party chartering in Taiwan, but new vessels and positive offshore sector outlook ahead.** Ship-chartering revenue declined 13% yoy, primarily due to lower third-party chartering income from Taiwan, with the downturn expected to persist throughout FY25 as current wind farm projects have completed construction. The fall was partially offset by higher average charter rates and a slight yoy increase of 1ppt in average fleet utilisation to 71%. Moving forward, its new commissioning service operation vessel (CSOV) and three crew transfer vessels (CTVs) are expected to contribute in 2HFY25. We estimate that a CSOV and CTV may generate around US\$13m (~S\$17m) and US\$2m (~S\$3m) in revenue respectively over a full year of operations.
- Shipyards: Expect more higher-margin ship repair projects on increased vessel volume in the market.** Shipyards revenue dropped 9% yoy in 1QFY25, attributed to fewer shipbuilding activities. However, this was partially offset by a rise in ship repair projects, which led to a higher yard utilisation rate of 83% (+4ppt yoy). The rising number of vessels in the market benefits MPM's ship repair business, as it naturally drives potential repair demand given that vessel maintenance is mandatory. The consistently robust yard utilisation rate underscores the effectiveness of MPM's new fourth dry dock, which is expected to complete construction by end-Mar 25. This will boost ship repair capacity by up to 25% and start contributing in 2HFY25.

KEY FINANCIALS

Year to 30 Sep (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	127	124	137	163	174
EBITDA	40	34	43	50	52
Operating profit	28	21	29	35	38
Net profit (rep./act.)	23	22	29	33	36
Net profit (adj.)	25	26	29	33	36
EPS (S\$ cents)	0.7	0.7	0.8	0.9	1.0
PE (x)	7.8	7.4	6.8	5.9	5.4
P/B (x)	1.2	1.1	0.9	0.8	0.7
EV/EBITDA (x)	3.8	4.5	3.5	3.0	2.9
Dividend yield (%)	1.9	1.9	3.8	3.8	3.8
Net margin (%)	17.8	17.6	20.8	20.3	20.7
Net debt/(cash) to equity (%)	(35.3)	(18.5)	(30.3)	(42.7)	(54.3)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	14.7	12.3	14.6	15.0	14.5
Consensus net profit	-	-	28	32	36
UOBKH/Consensus (x)	-	-	1.04	1.03	0.99

Source: Marco Polo Marine, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.052
Target Price	S\$0.072
Upside	+34.6%

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):	195.2
Market cap (US\$m):	145.4
3-mth avg daily t'over (US\$m):	0.5

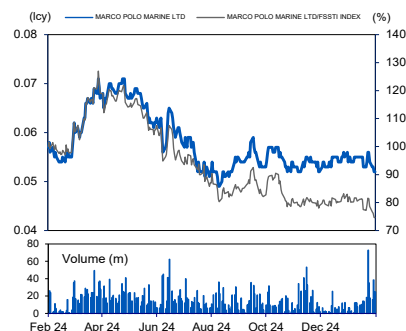
Price Performance (%)

52-week high/low	S\$0.072/S\$0.048			
1mth	3mth	6mth	1yr	YTD
(5.5)	(3.7)	2.0	(5.5)	(3.7)

Major Shareholders

Lee Family	22.7
Apricot Capital	16.4
Penguin International	8.1
FY25 NAV/Share (S\$)	0.06
FY25 Net Cash/Share (S\$)	0.02

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Batam shipyard site visit takeaways.** We recently visited MPM's shipyard in Batam on 12 Feb 25 and toured its newly completed CSOV, Wind Archer. Set to sail and contribute in 2HFY25, Wind Archer is well equipped with the latest walk-to-work motion-compensated gangway system for personnel transfer from the vessel to turbines, and a 3D motion-compensated crane to facilitate cargo transfer. Its advanced hybrid battery-based energy storage systems also reduce carbon emissions by up to 20%. As Taiwan's wind farms enter the commissioning phase and Round 3.1 offshore wind projects begin, we believe Wind Archer is well-positioned to support the country's growing renewable energy sector.
- Potential second CSOV on the horizon.** Management has shared that another CSOV may be in the pipeline, to be constructed in collaboration with Norwegian vessel designer Salt Ship Design. While the construction of a CSOV typically takes two years due to factors like adverse weather, this timeline could be reduced thanks to efficiencies gained from its recently completed maiden CSOV. The expected cost is between US\$60m-70m (S\$80m-94m). We are of the view that securing financing will be easier given that MPM has successfully completed its first CSOV and established its ability to deliver.
- Healthy net cash position provides buffer.** MPM has shown excellent cash management, with a strong net cash position of S\$36m as at end-FY24 translating to S\$0.009/share. This provides a comfortable level of support for our valuation. Besides leveraging on its cash reserves, MPM can explore various funding options or explore partnerships to co-own vessels to expand its fleet.
- Long-term growth in South Korea and Japan.** MPM has successfully entered South Korea's offshore wind market, which is still in its early stages and requires long-term preparation. Vessel activities have already been initiated in the Jeonnam area and are expected to increase in 2025. Revenue contributions are expected by 2027, barring unforeseen delays in project timelines. The Japan market also holds significant potential, with ongoing discussions for a project with "K" Line Wind Service, Ltd. While progress has been slow, MPM remains focused on these markets, recognising their long-term growth potential.

EARNINGS REVISION/RISK

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

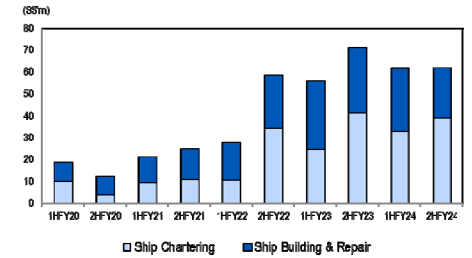
VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged target price of S\$0.072**, pegged to 9.5x FY25F PE or +1SD above its historical three-year PE range. While charter rates are not rising as quickly as expected, they remain consistently high and MPM is a clear beneficiary. Furthermore, MPM continues to embark on growth plans while generating sustainable profits. It currently trades at an attractive 7x 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 – 2HFY24)



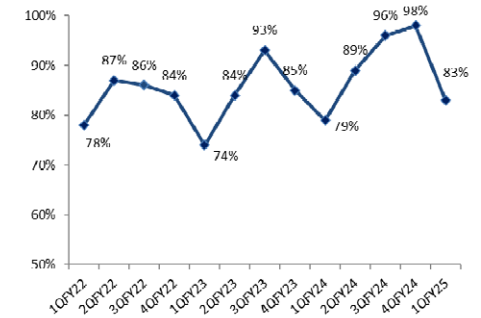
Source: Marco Polo Marine, UOB Kay Hian

AVERAGE DAILY CHARTER RATES INDEX (1QFY20 – 1QFY25)



Source: Marco Polo Marine, UOB Kay Hian

SHIPYARD UTILISATION RATES (1QFY22 – 1QFY25)



Source: Marco Polo Marine, UOB Kay Hian

PROFIT & LOSS

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Net turnover	123.5	137.4	163.2	173.8
EBITDA	33.8	43.1	49.6	52.4
Deprec. & amort.	12.4	14.0	14.3	14.6
EBIT	21.4	29.1	35.3	37.8
Associate contributions	3.3	0.0	0.0	0.0
Net interest income/(expense)	0.2	2.7	0.2	0.2
Pre-tax profit	0.9	1.6	2.9	3.9
Tax	25.7	33.4	38.4	41.9
Minorities	(1.8)	(2.3)	(2.7)	(2.9)
Net profit	(2.2)	(2.5)	(2.6)	(2.9)
Net profit (adj.)	21.7	28.5	33.1	36.0

CASH FLOW

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Operating	37.6	39.3	49.4	54.1
Pre-tax profit	25.7	33.4	38.4	41.9
Tax	(1.8)	(1.1)	(1.6)	(2.2)
Deprec. & amort.	12.4	14.0	14.3	14.6
Working capital changes	0.0	0.0	0.0	0.0
Non-cash items	9.6	(7.0)	(1.7)	(0.2)
Investing	(8.4)	0.0	0.0	0.0
Capex (growth)	0.0	0.0	0.0	0.0
Proceeds from sale of assets	(56.0)	(5.5)	(5.1)	(4.1)
Others	(69.8)	(8.0)	(8.0)	(8.0)
Financing	0.0	0.0	0.0	0.0
Dividend payments	0.0	0.0	0.0	0.0
Issue of shares	13.9	2.5	2.9	3.9
Loan repayment	25.2	(4.6)	(7.5)	(7.5)
Others/interest paid	(3.8)	(3.8)	(7.5)	(7.5)
Net cash inflow (outflow)	0.0	0.0	0.0	0.0
Beginning cash & cash equivalent	31.0	0.0	0.0	0.0
Changes due to forex impact	(2.0)	(0.9)	0.0	0.0
Ending cash & cash equivalent	6.9	29.2	36.8	42.5

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	52.5	61.5	64.5
Total assets	276.9	307.2	346.8	385.8
ST debt	20.4	20.4	20.4	20.4
Other current liabilities	32.6	36.6	43.5	46.4
LT debt	14.4	14.4	14.4	14.4
Other LT liabilities	8.5	8.4	11.9	18.0
Shareholders' equity	183.6	208.4	234.0	262.5
Minority interest	17.4	19.0	22.6	24.1
Total liabilities & equity	276.9	307.2	346.8	385.8

KEY METRICS

Year to 30 Sep (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	27.3	31.4	30.4	30.2
Pre-tax margin	20.8	24.3	23.6	24.1
Net margin	17.6	20.8	20.3	20.7
ROA	8.6	9.8	10.1	9.8
ROE	12.3	14.6	15.0	14.5
Growth				
Turnover	(2.8)	11.2	18.8	6.5
EBITDA	(15.1)	27.6	15.2	5.6
Pre-tax profit	(15.6)	29.8	15.1	8.9
Net profit	(3.9)	31.5	16.1	8.7
Net profit (adj.)	4.3	8.7	16.1	8.7
EPS	4.3	8.7	16.1	8.7
Leverage				
Debt to total capital	14.8	13.3	11.9	10.8
Debt to equity	18.9	16.7	14.9	13.3
Net debt/(cash) to equity	(18.5)	(30.3)	(42.7)	(54.3)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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