

COMPANY RESULTS

Marco Polo Marine (MPM SP)

FY23: Strong Earnings Beat With Dividend Surprise And Positive Outlook

MPM reported FY23 core earnings of S\$25m (+83% yoy), a strong beat of more than 50% of our estimate due to favourable OSV charter rates. MPM also announced a dividend of 0.1 S cents/share, its first since 2012. MPM expects the utilisation rate of its OSVs to remain robust and charter rates to still appreciate in FY24, while its CSOV which will be completed in 2H24 will help to penetrate the offshore wind sector. We raised FY24 earnings by 55%. Maintain BUY with a 10% higher target price of S\$0.066.

FY23 RESULTS

Year to 30 Sep (S\$m)	2HFY23	2HFY22	yoy % chg	FY23	FY22	yoy % chg
Revenue	71.2	58.5	21.8	127.1	86.1	47.7
Gross profit	28.0	19.3	45.3	45.7	27.5	66.6
Gross margin (%)	39.3	33.0	+6.3ppt	36.0	31.9	+4.1ppt
Earnings	18.3	10.5	74.1	22.6	21.3	5.8
Core earnings	17.1	11.6	47.4	25.2	13.8	82.6

Source: Marco Polo Marine, UOB Kay Hian

RESULTS

- Strong earnings beat on favourable charter rate and high utilisation rate; dividend came as a positive surprise.** Marco Polo Marine (MPM) has reported FY23 core earnings of S\$25m (+83% yoy), a strong beat of more than 50% of our estimate of S\$16m due to strong improvement of gross margin by 4.1ppt as a result of favourable charter rates for offshore support vessels (OSV) and utilisation rates. On the other hand, MPM declared a dividend of 0.1 S cents/share, supported by its strong net cash position, which increased by 21% yoy to S\$61m (around 30% of market cap). This came as a positive as we did not expect any dividend and this is the first dividend payment since 2012.
- Robust revenue growth of both ship chartering and shipyard segments.** Revenue from its ship chartering segment increased by 47% yoy to S\$66m due to higher average utilisation and charter rates for its fleet of OSVs. Revenue from its shipyard segment increased by 48% yoy to S\$61m due to higher contract values for repair projects and the commencement of new ship-building projects.
- Positive outlook and new penetration into the offshore wind sector.** MPM anticipates the utilisation rate of its OSVs to remain relatively robust amid positive demand-supply dynamics. Concurrently, charter rates for OSVs are still expected to appreciate in FY24, albeit at a more moderate pace compared to FY23. MPM's commissioning service operation vessel (CSOV) is currently 34% completed and is expected to be completed in 2H24. This will be MPM's stepping stone to penetrate the Taiwan offshore wind sector.

KEY FINANCIALS

Year to 30 Sep (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	86	127	146	159	173
EBITDA	30	40	47	51	40
Operating profit	21	28	34	36	40
Net profit (rep./act.)	21	23	27	29	34
Net profit (adj.)	14	25	27	29	34
EPS (S\$ cents)	0.4	0.7	0.7	0.8	0.9
PE (x)	13.1	7.6	7.1	6.5	5.7
P/B (x)	1.3	1.1	1.0	0.9	0.8
EV/EBITDA (x)	4.9	3.7	3.1	2.9	3.7
Dividend yield (%)	0.0	2.0	2.9	3.9	3.9
Net margin (%)	24.8	17.8	18.4	18.5	19.3
Net debt/(cash) to equity (%)	(35.8)	(35.3)	(35.7)	(43.7)	(55.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	16.8	14.7	15.0	14.5	14.7
Consensus net profit	-	-	19	21	24
UOBKH/Consensus (x)	-	-	1.41	1.38	1.38

Source: Marco Polo Marine, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.051
Target Price	S\$0.066
Upside	+29.0%
(Previous TP)	S\$0.060

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):	191.4
Market cap (US\$m):	142.8
3-mth avg daily t'over (US\$m):	0.4

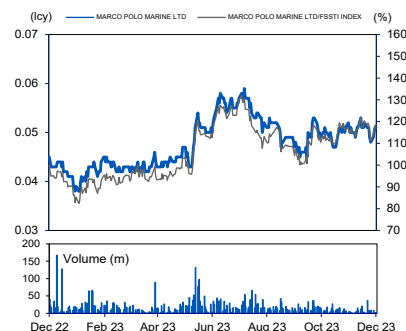
Price Performance (%)

52-week high/low	S\$0.059/S\$0.038			
1mth	3mth	6mth	1yr	YTD
(1.9)	6.2	0.0	8.5	24.4

Major Shareholders

Apricot Capital Pte	16.2
Nautical International	12.9
Watiga Trust Pte Ltd	4.3
FY24 NAV/Share (S\$)	0.05
FY24 Net Cash/Share (S\$)	0.02

PRICE CHART



Source: Bloomberg

ANALYST(S)

**Heidi Mo**  
+65 6590 6630  
heidimo@uobkayhian.com

**John Cheong**  
+65 6590 6623  
johncheong@uobkayhian.com

### STOCK IMPACT

- Construction of new dry dock to boost ship repair capacity.** MPM recently announced plans to build a 240m Dry Dock 4 in Nov 23, funded by a mix of operational cashflows and external bank financing. This will increase ship repair capacity by up to 25%, allowing MPM to capture growing demand for ship repairs. As of 4QFY23, MPM's shipyard utilisation rate is at 95%. With completion expected in 1QFY25, the dry dock will likely contribute to higher earnings then.
- Sustaining high shipyard utilisation rates with newbuild contracts secured.** For its shipyard segment, MPM has continued to effectively market its business operations to regional ship owners in Indonesia to undertake more shipbuilding projects, while widening its customer network for ship repair activities to drive revenue growth. This has been demonstrated in its ability to secure newbuild contracts for vessel construction with deliveries scheduled up till 2HFY24.
- MPM will continue to support the Taiwan offshore wind farm market via its ship chartering business.** It has established a strong foothold in this arena through its joint venture entity, Oceanic Crown Offshore Marine Services Ltd., and the acquisition of PKR Offshore Co. Ltd. last year. MPM recently announced that it has formalised the Vestas Framework Agreement. It will see its CSOV deployed over three years once the vessel is fully constructed. This will provide revenue visibility for MPM's ship chartering division over the medium term.
- Healthy net cash position provides buffer.** MPM has shown excellent cash management, with a strong net cash position of S\$61m as at end-FY23 (FY22: S\$54m). This provides a comfortable level of support for our valuation.

### EARNINGS REVISION/RISK

- We have raised our FY24 and FY25 earnings by 55% and 50% respectively**, after raising our revenue forecasts by 13% and 11%, on higher charter rates and utilisation rates. In addition, we have raised our gross margin estimates by 2ppt to 36% for FY24 and FY25 while introducing FY26 estimates.

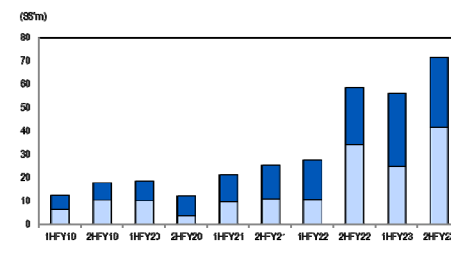
### VALUATION/RECOMMENDATION

- Maintain BUY with a 10% higher target price of S\$0.066** after raising our FY24 earnings estimates. We value MPM at an unchanged 1.3x FY24F P/B, in line with +2SD of its historical five-year average on the back of improving charter rates and vessel utilisation rates. MPM currently trades at an attractive 7x FY24 PE (5x ex-cash). Our target price implies a 9x FY24 PE (7x ex-cash).

### SHARE PRICE CATALYST

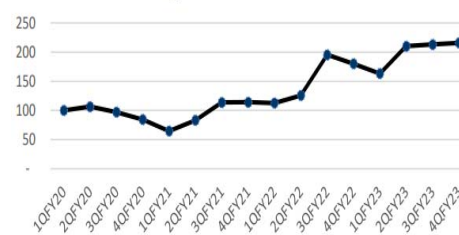
- Higher-than-expected ship charter rates and vessel utilisation.
- Award of new ship chartering contracts.
- Higher value of repair projects during the year.

### SEGMENTAL CONTRIBUTION (1HFY19 – 2HFY23)



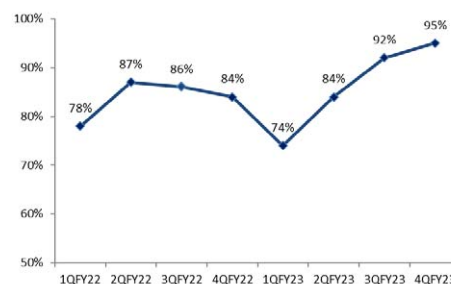
Source: Marco Polo Marine, UOB Kay Hian

### AVERAGE CHARTER RATES (1QFY20 – 4QFY23)



Source: Marco Polo Marine, UOB Kay Hian

### SHIPYARD UTILISATION RATES (1QFY22 – 4QFY23)



Source: Marco Polo Marine, UOB Kay Hian

### PROFIT & LOSS

Year to 30 Sep (\$m)	2023	2024F	2025F	2026F
Net turnover	127.1	145.9	159.1	173.4
EBITDA	39.8	47.3	51.0	40.2
Deprec. & amort.	12.1	13.4	14.5	0.0
EBIT	27.8	33.9	36.4	40.2
Associate contributions	0.2	0.0	0.0	0.0
Net interest income/(expense)	1.5	2.0	2.5	3.5
Pre-tax profit	30.5	36.0	39.0	43.7
Tax	(4.7)	(5.5)	(6.0)	(6.7)
Minorities	(3.2)	(3.5)	(3.5)	(3.5)
Net profit	22.6	26.9	29.5	33.5
Net profit (adj.)	25.2	26.9	29.5	33.5

### CASH FLOW

Year to 30 Sep (\$m)	2023	2024F	2025F	2026F
Operating	28.1	53.6	36.7	52.6
Pre-tax profit	30.5	36.0	39.0	43.7
Tax	(1.0)	(5.0)	(5.5)	(5.9)
Deprec. & amort.	12.1	13.4	14.5	14.9
Working capital changes	(25.3)	11.3	(8.8)	2.4
Non-cash items	12.0	(2.0)	(2.5)	(2.5)
Investing	(22.8)	(40.9)	(5.4)	(4.4)
Capex (growth)	(13.4)	(42.9)	(7.9)	(7.9)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(9.5)	2.0	2.5	3.5
Financing	6.0	(5.0)	(5.7)	(7.5)
Dividend payments	0.0	(3.8)	(5.7)	(7.5)
Issue of shares	7.5	0.0	0.0	0.0
Loan repayment	0.1	(1.2)	0.0	0.0
Others/interest paid	(1.5)	0.0	0.0	0.0
Net cash inflow (outflow)	11.3	7.8	25.7	40.7
Beginning cash & cash equivalent	53.5	63.1	70.9	96.6
Changes due to forex impact	(1.8)	0.0	0.0	0.0
Ending cash & cash equivalent	63.1	70.9	96.6	137.3

### BALANCE SHEET

Year to 30 Sep (\$m)	2023	2024F	2025F	2026F
Fixed assets	92.8	122.3	115.6	108.6
Other LT assets	20.3	16.8	16.8	16.8
Cash/ST investment	63.1	70.9	96.5	137.1
Other current assets	53.0	52.2	60.1	63.8
<b>Total assets</b>	<b>229.1</b>	<b>262.1</b>	<b>289.0</b>	<b>326.2</b>
ST debt	2.5	0.0	0.0	0.0
Other current liabilities	33.5	39.9	42.7	47.2
LT debt	1.3	2.6	2.6	2.6
Other LT liabilities	7.9	28.6	28.9	35.7
Shareholders' equity	167.8	191.0	214.8	240.8
Minority interest	16.1	0.0	0.0	0.0
<b>Total liabilities &amp; equity</b>	<b>229.1</b>	<b>262.1</b>	<b>289.0</b>	<b>326.2</b>

### KEY METRICS

Year to 30 Sep (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	31.3	32.4	32.1	23.2
Pre-tax margin	24.0	24.6	24.5	25.2
Net margin	17.8	18.4	18.5	19.3
ROA	10.8	11.0	10.7	10.9
ROE	14.7	15.0	14.5	14.7
<b>Growth</b>				
Turnover	47.7	14.8	9.0	9.0
EBITDA	32.2	18.8	7.8	(21.1)
Pre-tax profit	31.0	18.0	8.4	12.3
Net profit	5.8	19.2	9.4	13.7
Net profit (adj.)	81.9	6.9	9.4	13.7
EPS	71.5	6.9	9.4	13.7
<b>Leverage</b>				
Debt to total capital	2.0	1.3	1.2	1.1
Debt to equity	2.3	1.4	1.2	1.1
Net debt/(cash) to equity	(35.3)	(35.7)	(43.7)	(55.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

## 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 2023, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W