

MARCO POLO MARINE

BUY

Share Price:	\$S\$0.068
Target Price:	\$S\$0.083
Upside:	22.1%

COMPANY DESCRIPTION

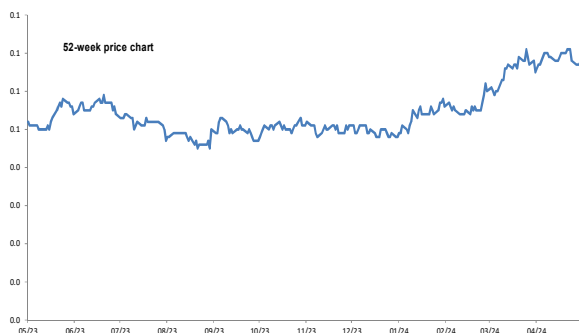
Marco Polo Marine has been listed on SGX-ST since 2007. Since then, Marco Polo Marine has expanded to become a reputable player in the marine industry in the region through their ship chartering and shipyard businesses.

Name	MARCO POLO MARINE LTD
Bloomberg Code	MPM SP EQUITY
3M Avg Daily Trading Vol (k)	17,152.6
3M Avg Daily Trading Val (\$S'000)	602.2
Major Shareholder / Holdings	Apricot Capital (16.2%) Sean & Family (12.9%) Penguin I'ntl (8.1%)
Shares Outstanding (m)	3757.9
Market Capitalisation (\$S\$m)	255.2
52 week Share Price High/Low	\$S\$0.072 / \$S\$0.045

STOCK PRICE PERFORMANCE

Absolute Return (%)	1M	3M	12M
	3.0	21.4	33.2

PRICE CHART



Source : Bloomberg

Win-wind situation!

We maintain a positive outlook on Marco Polo Marine (MPM) following its recent robust performance, despite facing seasonal challenges in 1HFY24 due to the monsoon season. During 1HFY24, MPM demonstrated resilience with a noteworthy 10.0% year-on-year increase in revenue to S\$61.6m and a substantial 30.6% year-on-year growth in core net profit to S\$11.1m.

With the O&G and offshore wind farm's sector's enduring strength, we foresee MPM capitalizing even more on elevated charter rates and heightened vessel utilization in the latter half of FY24. With MPM's considerable degree of operating leverage stemming from its owned vessels, any further uptick in rates or utilization directly translates into an increased bottom line.

Moreover, the ongoing progress in the construction of MPM's 4th dry dock and CSOV construction is on track, alongside the stabilization of China's reopening, which underpins our confidence in the health of MPM's shipyard operations. We anticipate that these factors will contribute to improvements in MPM's shipyard performance starting from 2HFY24 onwards.

MPM's current valuations remain undervalued at 7.4x forward PE, 1.4x PB and has a net cash position of \$48.1m (13 Scts/share). Compared to its debt laden peers, this represents a c.48.3% discount in terms of PE, which we think is unjustified given the currently strong operations and contracts MPM has.

As such, we continue to maintain a BUY on Marco Polo Marine with an unchanged target price of \$0.083 based on a 11.0x FY24 PE, representing a c.23.0% discount to peers average. In comparison, the target consensus of MPM is at 8.5 S cts.

Ship Chartering continues to perform. MPM surged ahead with an impressive +34.3% yoy increase to S\$32.9m in ship chartering revenue, driven by elevated charter rates of its offshore supply vessels (OSVs) stationed in Taiwan. Capitalizing on these heightened rates, MPM has strategically leveraged its position by rechartering 3rd party OSVs at even more lucrative rates for diverse short-term offshore projects.

For 2HFY24, we expect charter rates to continually increase by at least 5% and utilization rates to pick up by c.10 percentage points to further drive MPM's earnings to meet our FY24 NPAT target of S\$28.4m.

KEY FINANCIALS

September YE	FY21	FY22	FY23	FY24F	FY25F
Revenue	46.1	86.1	127.1	144.0	170.0
Gross Profit	12.0	27.5	45.7	54.7	64.6
EBITDA	22.4	32.4	42.8	34.0	42.8
EBITDA Margin (%)	48.6	37.7	33.7	23.6	25.2
Net Income	14.8	21.3	22.6	28.4	36.6
Net Margin (%)	32.0	24.8	17.8	19.7	21.5
EPS (S cts)	0.4	0.6	0.7	0.8	1.0
Dividend Per Share	0.0	0.0	0.10	0.13	0.17
Dividend Yield	0.0	0.0	1.5	2.0	2.6
PE (x)	17.4	12.0	11.4	8.7	6.8
PB (x)	1.3	1.5	1.4	1.3	1.2

Source : MPM, Lim & Tan Research

Nicholas Yon
Tel: 6533 0595
Email: nicholasyon@limtan.com.sg

MARCO POLO MARINE

Ship Yard Operations Stable. MPM's shipyard operations experienced a yoy decline of 8.6% to S\$28.7 million, primarily attributed to reduced ship repair volume following the reopening of China's shipyards. However, this decline was partially offset by sustained momentum in higher shipbuilding-related activities. Despite this dip, we maintain a positive stance on MPM's ship repair operations, anticipating a resurgence in ship repair volumes as China's reopening stabilizes.

Currently operating at around 80% utilization, MPM's expansion of its 4th dry dock remains on track, scheduled to come online in 1H25. This strategic move positions MPM to leverage the buoyant demand for ship repairs, further solidifying its foothold in the market.

CSOV construction going according to plan. MPM's CSOV is currently 69% completed as of 31 March 2024 and is expected to commence operations in Oct 24 – FY25 should see the full contribution of the CSOV, which will further boost FY25 earnings with Vestas's commitment to deploy the vessel for their project for 3 years.

Stable balance sheet. MPM's balance sheet continues to be robust, and net cash stands at S\$48.1mln, representing c.19% of the current market cap and c.13 S cts/share . Bolstered by the strong windfarm sector, higher for longer interest rates and low upcoming CapEx, we expect this cash pile to increase in FY24. 1HFY24's Net asset value also increased to S\$191.mln (c. 5.1 Scts/share) in 1HFY24

Exhibit 1: Relative Valuations

Name	Market Cap (\$\$bn)	Stock Perf YTD%	Forward PE(x)	EPS Growth (1yr)	EPS Growth (2yr)	EV/ EBITDA fwd(x)	P/B(x)	ROE(x)	Div Yield
MARCO POLO MARINE LTD	0.3	31.4%	7.4	29%	11%	5.1	1.4	18%	1.5%
YINSON HOLDINGS BHD	2.1	-5.2%	10.3	-18%	15%	8.2	1.0	14%	1.3%
TIDEWATER INC	7.6	48.8%	22.9	155%	88%	9.5	5.4	14%	--
PACIFIC RADIANCE LTD	0.1	56.7%	--	--	--	--	0.3	47%	--
JAMES FISHER & SONS PLC	0.3	-1.6%	14.5	119%	64%	5.4	1.0	-34%	--
MALAYSIA MARINE AND HEAVY EN	0.2	1.0%	20.2	108%	-29%	5.0	0.6	-32%	--
COASTAL CONTRACTS BHD	0.3	-1.2%	--	--	--	--	0.5	3%	--
DELEUM BERHAD	0.2	47.6%	10.8	14%	8%	3.9	1.4	11%	4.0%
SEACOR MARINE HOLDINGS INC	0.5	10.3%	--	-218%	31%	9.6	1.1	-6%	--
SAPURA ENERGY BHD	0.2	0.0%	--	18%	12%	18.4	--	--	--
KIM HENG LTD	0.1	7.5%	--	--	--	--	1.1	3%	3.3%
PETRA ENERGY BHD	0.1	56.2%	--	--	--	--	1.1	13%	7.7%
XIN YUAN ENTERPRISES GROUP L	0.3	-22.1%	--	--	--	--	1.8	7%	7.3%
DAYANG ENTERPRISE HLDGS BHD	0.9	75.6%	14.0	6%	11%	7.0	2.0	14%	2.1%
Median		9%	14.0	18%	12%	7.0	1.1	11.4%	3.3%
Average		22%	14.3	24%	23%	8.0	1.4	5.5%	3.9%

Source: MPM, LTS Research

RESEARCH DISCLAIMER

▶ This report is intended for clients of Lim & Tan Securities Pte Ltd [herein after termed as LTS] only and no part of this document may be –

- i. Copied, photocopied, duplicated, stored or reproduced in any form by any means or
- ii. Re-distributed or disseminated, directly or indirectly, to any other person in whole or in part, for any purpose without the prior consent of LTS.

This research report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and particular needs of any specific recipient of this research report. You should independently evaluate particular investments and consult your independent financial adviser before making any investments or entering into any transaction in relation to any securities or investment instruments mentioned in this report.

The information, tools and material presented herein this report are not directed at, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation or which would subject LTS to any registration or licensing requirement within such jurisdiction.

The information and opinions presented in this research report have been obtained or derived from sources believed by LTS to be reliable. Their accuracy, completeness or correctness is, however, not guaranteed. Opinions and views expressed in this report are subject to change without notice, and no part of this publication is to be construed as an offer, or solicitation of an offer to buy or sell securities, futures, options or other financial instruments or to provide investment advice or services. Therefore, LTS accepts no liability for loss arising from the use of the material presented in this report where permitted by law and/or regulation. LTS may have issued other reports that are inconsistent with the assumptions, views and analytical methods of the analysts who prepared them.

LTS, its directors, its connected persons and employees may, from time to time, own or have positions in any of the securities mentioned or referred to in this report or any securities related thereto and may from time to time add to or dispose of or may be materially interested in any such securities. LTS's research analysts are primarily responsible for the content of this report, in part or in whole, and certifies that the views about the companies expressed in this report accurately reflect his personal views. LTS prohibits the research analysts who prepares this report from receiving any compensation (excluding salary and bonuses) or other incentives and benefits receivable in respect of this report or for providing specific recommendation for, or in view of a particular company or companies mentioned in this report.

ANALYST DISCLOSURE

As of the date of this report, the research analysts primarily responsible for the content of this research report do not have a financial interest* in the securities of the companies as recommended in this report.

* *Includes direct or indirect ownership of securities or Futures Contracts (excluding the amount of securities or Futures Contracts owned), directorships or trustee positions.*