

Singapore

ADD (no change)

Consensus ratings*:	Buy 1	Hold 0	Sell 0
Current price:	S\$0.18		
Target price:	S\$0.20		
Previous target:	S\$0.20		
Up/downside:	11.1%		
CGSI / Consensus:	0.0%		
Reuters:	MMPC.SI		
Bloomberg:	MMT SP		
Market cap:	US\$195.2m	S\$254.4m	
Average daily turnover:	US\$1.42m	S\$1.87m	
Current shares o/s:	47.32m		
Free float:	28.7%		

*Source: Bloomberg

Key changes in this note

➤ No changes.



Price performance	1M	3M	12M
Absolute (%)	48.8	-20	116.9
Relative (%)	42.4	-26.5	95.3

Major shareholders	% held
Thoresen Thai Agencies Public Company Limited	49.5
Mahagitsiri Chalermchai	10.6
Soleado Holdings	7.2

Analyst(s)

Meghana KANDE
T (65) 6210 8515
E meghana.kande@cgsi.com

LIM Siew Khee
T (65) 6210 8664
E siewkhee.lim@cgsi.com

Mermaid Maritime

Higher utilisation and rates ahead

- We hosted MMT’s management for a call with investors on 7 Oct 24. Post-call, we remain positive on MMT’s fleet utilisation and order outlook.
- Key investor questions were focused on the impact of oil prices on day rates, margin outlook and capex needs.
- Management expects fleet utilisation to remain above 80% in 2025F, on the back of tight global vessel supply and higher oil price-driven demand.
- We reiterate our Add call, with an unchanged TP of S\$0.20, based on 11x 2025F P/E.

Higher oil prices are likely to keep vessel demand intact

We see limited geopolitical risk to Mermaid Maritime (MMT) as major areas of conflict in the Middle East are primarily concentrated in the western region of Saudi Arabia, while MMT operates predominantly in the eastern region and Qatar. The company may see some cost increases due to the need for alternative shipping routes when mobilising vessels from the UK or US to the Middle East. Management noted that higher oil prices are supporting increased development in Mozambique, Guyana and Asia-Pacific. Given its favourable order outlook, MMT expects fleet utilisation to remain well above 80% for 2025F. A continued high demand environment and limited vessel newbuilds should support day rates for its fleet, in our view.

Cost pass-through can support margins in the medium term

According to data provided by management, there were 104 diving support vessels (DSVs) in operation globally as of Jan 2018. This number has since fallen to 56, of which seven are tied up and 27 are locked into long-term contracts. MMT typically secures contracts for 5-6 months, but some can extend much longer (for example, Mermaid Asiana has been working for Aramco for 13 years on an extension basis). Around 75% of MMT’s contracts are long term, supporting more predictable cash flows, while the remaining 25% are kept on spot to be opportunistic of rising day rates. While margins could soften in the near term as MMT charters in vessels at higher rates, the company expects to pass these costs to customers when signing new contracts.

Targeting capex spend on ROVs to optimise costs

In the near-term, MMT is planning to order around four new remotely operated vessels (ROVs). It currently owns 14 ROVs and has chartered another 13 units. The new ROVs, costing c.US\$3m-3.5m each, will be partially funded through bank financing and internal cash. MMT does not plan to purchase additional DSVs, given the high cost (US\$150m each) and the need for 20-year visibility. We maintain our Add call and unchanged TP of S\$0.20, based on 11x 2025F P/E, a c.15% discount to global peers given MMT’s smaller scale. Key catalysts include order wins, higher-than-expected day rates and fleet expansion. We see downside risks from escalation of geopolitical tensions, poor weather and prolonged dry-dock impacting vessel utilisation, and order cancellations.

Financial Summary	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue (US\$m)	223.9	275.4	519.1	623.2	687.5
Operating EBITDA (US\$m)	21.00	38.10	45.80	59.72	67.59
Net Profit (US\$m)	(0.19)	9.59	11.66	19.79	24.00
Core EPS (US\$)	(0.000)	0.007	0.008	0.014	0.017
Core EPS Growth	(98.8%)		20.6%	69.7%	21.3%
FD Core P/E (x)	NA	20.19	16.74	9.86	8.13
DPS (US\$)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	9.85	5.88	5.83	4.91	4.00
P/FCFE (x)	32.96	5.97	NA	5.14	2.75
Net Gearing	20.9%	29.9%	51.1%	58.5%	42.0%
P/BV (x)	1.21	1.15	1.07	0.97	0.86
ROE	(0.1%)	5.8%	6.6%	10.3%	11.2%
% Change In Core EPS Estimates			0.00%	(0.64%)	0.00%
EPS/Consensus EPS (x)			0.59	0.82	1.00

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

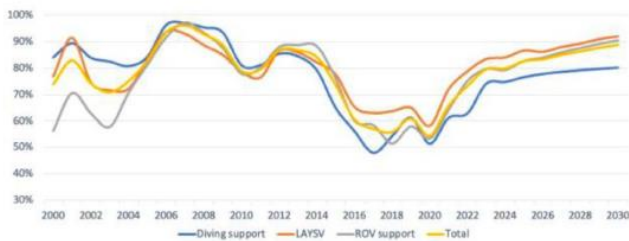
Fleet utilisation supported by lower yoy dry-dock impact in 2025F >

With the completion of dry-docking for the Mermaid Endurer and Millennium 3 in 2024, MMT reiterated that there are no more vessels going into dry-dock for the rest of the year. Mermaid Asiana is the only major vessel scheduled for dry-dock in early 2025F. The vessel will undergo its five-year special survey in mid-/end-Feb 2025F. Management noted that the dry-dock is likely to last around 4-5 weeks, compared to the previously expected 50-60 days, as it has reached out to a new yard.

Prefer long-term charters over buying new vessels >

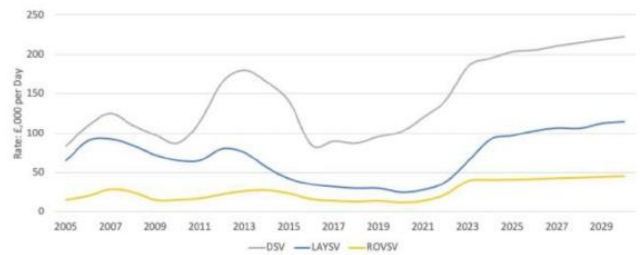
According to management, its existing order book of US\$976m can be handled with the current mix of owned and chartered vessels. For new orders, it plans to charter in third-party vessels, preferably on longer-term contracts. Management noted that they are also exploring options to place mobile saturation diving systems on chartered vessels. Currently, MMT does not plan to purchase additional DSVs, given the high cost (US\$150m each) and the need for 20-year visibility.

Figure 1: According to data published in MMT's 1H2024 results briefing report, global fleet utilisation till 2030F ...



SOURCES: CGSI RESEARCH, ESTIMATES AS PER COMPANY REPORTS

Figure 2: ... and vessel day rates are expected to remain high, given tight global supply and increasing demand from oil majors



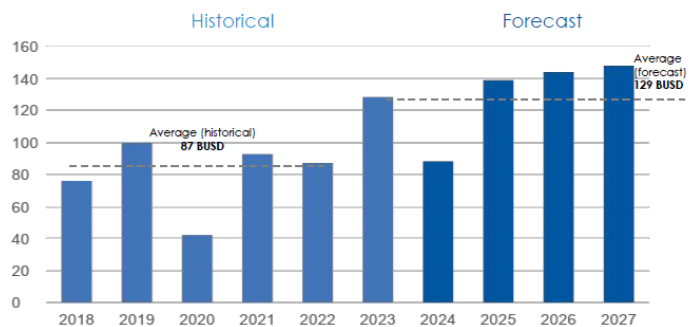
SOURCES: CGSI RESEARCH, ESTIMATES AS PER COMPANY REPORTS

Figure 3: Practically no new DSVs are expected to enter the market in the near term



SOURCES: CGSI RESEARCH, ESTIMATES AS PER COMPANY REPORTS

Figure 4: Global offshore greenfield investment by sanctioning year



SOURCES: CGSI RESEARCH, ESTIMATES AS PER COMPANY REPORTS

Figure 5: Peer comparison

Company	Bbg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)			2-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%) CY24F	Dividend Yield (%) CY24F
						CY24F	CY25F	CY26F		CY24F	CY25F		
Mermaid Maritime	MMT SP	Add	0.18	0.20	195	16.7	9.9	8.1	43.1%	1.07	0.97	6.6%	0.0%
Pacific Radiance Ltd	PACRA SP	NR	0.05	na	56	0.0	0.0	na	1454.8%	0.64	0.55	33.4%	na
Dyna-Mac Holdings Ltd	DMHL SP	NR	0.64	na	562	13.1	11.0	9.4	45.2%	na	na	na	2.7%
ASL Marine Holdings Ltd	ASL SP	NR	0.06	na	47	na	na	na	na	na	na	na	na
Marco Polo Marine Ltd	MPM SP	NR	0.06	na	170	7.2	6.6	na	17.7%	1.04	0.90	13.8%	1.7%
Kim Heng Ltd	KHOM SP	NR	0.10	na	54	na	na	na	na	na	na	na	na
Nam Cheong Ltd	NCL SP	NR	0.47	na	141	na	na	na	na	na	na	na	na
Singapore offshore - simple average						9.2	6.9	8.8	390.2%	0.92	0.81	17.9%	1.5%
Sapura Energy Bhd	SAPE MK	NR	0.04	na	150	na	na	na	-62.2%	na	na	na	0.0%
Alam Maritim Resources Bhd	AMRB MK	NR	0.03	na	11	na	na	na	na	na	na	na	na
Icon Offshore Bhd	ICON MK	NR	1.09	na	159	121.1	10.9	10.9	233.3%	na	na	1.6%	0.0%
Perdana Petroleum Bhd	PETR MK	NR	0.31	na	161	na	na	na	na	na	na	na	na
Ea Technique M Bhd	EATECH MK	NR	0.32	na	99	na	na	na	na	na	na	na	na
Malaysia offshore - simple average						121.1	10.9	10.9	85.6%	na	na	1.6%	0.0%
Subsea 7 SA	SUBC NO	NR	180.9	na	5,146	21.4	11.0	8.7	456.6%	1.20	1.12	5.4%	3.3%
Mcdermott International Ltd	MCDIF US	NR	0.25	na	164	na	na	na	na	na	na	na	na
SEACOR Marine Holdings Inc	SMHI US	NR	10.14	na	280	na	na	na	61.8%	na	na	na	na
SEAMEC Ltd	SEAM IN	NR	1,309	na	396	27.8	na	na	na	na	na	na	na
Oceaneering International Inc	OII US	NR	26.54	na	2,693	19.4	14.7	12.1	36.4%	3.63	2.88	18.8%	0.0%
TechnipFMC PLC	FTI US	NR	27.38	na	11,729	20.2	14.6	11.3	279.2%	3.80	3.26	18.5%	0.8%
Shipping Corp of India Ltd	SCI IN	NR	234.1	na	1,298	16.1	na	na	na	na	na	na	na
Nexans SA	NEX FP	NR	128.2	na	6,158	17.4	15.7	13.9	26.6%	3.04	2.69	18.3%	2.0%
Deme Group NV	DEME BB	NR	145.8	na	4,052	12.9	13.1	12.2	31.4%	1.72	1.57	14.1%	2.5%
Global offshore - simple average						20.5	13.8	11.7	148.7%	2.42	2.09	15.0%	1.7%

DATA AS AT 7 OCT 2024

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Note: Estimates for Not Rated (NR) companies are based on Bloomberg consensus



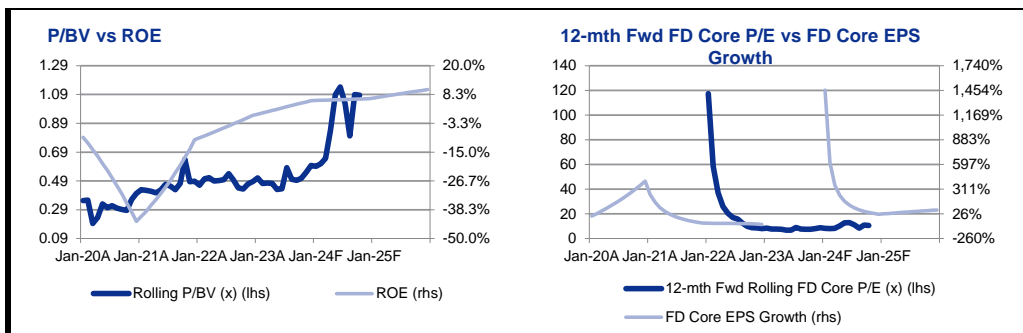
ESG in a nutshell

Mermaid Maritime (MMT) has made a concerted effort to integrate ESG considerations into its core business operations. The most notable aspect is its success in reducing carbon intensity by 46% from 2019 to 2022 through optimised energy usage and advanced vessel technology. Yoy trends show continued progress in environmental stewardship, social responsibility, and governance enhancements, aligning the company with global sustainability goals. Upcoming inflection points include further reductions in greenhouse gas (GHG) emissions and the potential addition of a female director by 2026F.

<p>Keep your eye on</p> <p>MMT's growing reliance on Marine Gas Oil (MGO) for its expanded fleet is a key issue for carbon emissions.</p>	<p>Implications</p> <p>While the company has reduced carbon intensity over FY19-23, the increased ship movements and fuel usage could offset these gains. We will monitor the company's carbon reduction initiatives to maintain long-term environmental performance.</p>
<p>ESG highlights</p> <p>MMT's eCO2 intensity has been on a downward trend with a 46% reduction over 2019-2022. This was a result of optimisation of current ship engine usage through procedural changes and hardware modifications. However, the company's governance could be improved, as it currently lacks female representation on its board.</p>	<p>Implications</p> <p>MMT's environmental efforts bolster its sustainability profile, which supports long-term operational efficiency. However, we believe the lag in governance, particularly the lack of female board members, may impact future corporate governance scores if not addressed promptly.</p>
<p>Trends</p> <p>The most significant yoy change is the company's expansion from two to five vessels in FY23, alongside a push for sustainable ship engines and green fuel alternatives.</p>	<p>Implications</p> <p>The increased fleet size poses risks of higher GHG emissions despite procedural optimisations. The successful deployment of biodiesel engines and continued reduction in eCO2 intensity will be critical.</p>

SOURCES: CGSI RESEARCH

BY THE NUMBERS



Profit & Loss

(US\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues	223.9	275.4	519.1	623.2	687.5
Gross Profit	17.5	32.7	43.1	60.4	72.2
Operating EBITDA	21.0	38.1	45.8	59.7	67.6
Depreciation And Amortisation	(18.7)	(25.1)	(26.8)	(29.0)	(28.5)
Operating EBIT	2.3	13.0	19.0	30.7	39.1
Financial Income/(Expense)	(3.3)	(5.6)	(7.5)	(9.9)	(13.3)
Pretax Income/(Loss) from Assoc.	2.9	3.9	2.8	3.2	3.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	1.9	11.3	14.3	24.0	28.8
Exceptional Items	0.1	(0.1)	0.0	0.0	0.0
Pre-tax Profit	1.9	11.2	14.3	24.0	28.8
Taxation	(1.6)	(1.5)	(2.2)	(3.6)	(4.3)
Exceptional Income - post-tax					
Profit After Tax	0.3	9.7	12.1	20.4	24.5
Minority Interests	(0.5)	(0.1)	(0.4)	(0.6)	(0.5)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	(0.2)	9.6	11.7	19.8	24.0
Recurring Net Profit	(0.2)	9.7	11.7	19.8	24.0
Fully Diluted Recurring Net Profit	(0.2)	9.7	11.7	19.8	24.0

Cash Flow

(US\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
EBITDA	21.00	38.10	45.80	59.72	67.59
Cash Flow from Invt. & Assoc.	(0.01)	0.00	0.00	0.00	0.00
Change In Working Capital	10.58	(27.30)	(46.62)	(7.20)	9.28
(Incr)/Decr in Total Provisions	0.36	0.44	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	(0.94)	0.91	(3.87)	0.31	0.31
Other Operating Cashflow	(0.05)	(0.36)	0.00	0.00	0.00
Net Interest (Paid)/Received	(2.10)	(3.79)	(7.19)	(9.71)	(13.06)
Tax Paid	(2.56)	(1.83)	(2.17)	(3.60)	(4.32)
Cashflow From Operations	26.29	6.17	(14.05)	39.52	59.80
Capex	(14.93)	(11.12)	(20.76)	(62.32)	(34.38)
Disposals Of FAs/subsidiaries	2.12	0.03	0.75	1.29	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00	0.00
Other Investing Cashflow	2.72	(2.00)	0.25	0.50	0.50
Cash Flow From Investing	(10.09)	(13.09)	(19.76)	(60.53)	(33.88)
Debt Raised/(repaid)	(10.27)	39.64	30.32	59.00	45.00
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(5.45)	(10.31)	(8.63)	(4.42)	(2.55)
Cash Flow From Financing	(15.73)	29.33	21.69	54.58	42.45
Total Cash Generated	0.47	22.41	(12.11)	33.57	68.37
Free Cashflow To Equity	5.92	32.72	(3.49)	37.99	70.92
Free Cashflow To Firm	18.40	(2.93)	(26.30)	(11.08)	39.20

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(US\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Cash And Equivalents	7.8	30.3	18.3	52.0	120.5
Total Debtors	65.2	113.8	145.2	173.2	190.4
Inventories	0.9	0.9	1.4	1.7	1.9
Total Other Current Assets	0.0	0.8	0.0	0.0	0.0
Total Current Assets	73.9	145.9	165.0	226.9	312.7
Fixed Assets	134.2	129.4	136.6	176.5	187.3
Total Investments	44.9	45.0	45.0	45.0	45.0
Intangible Assets	29.4	20.6	12.3	7.4	4.5
Total Other Non-Current Assets	9.1	15.8	43.8	38.8	21.8
Total Non-current Assets	217.6	210.7	237.6	267.7	258.6
Short-term Debt	4.0	14.6	0.0	0.0	0.0
Current Portion of Long-Term Debt	19.2	34.9	0.0	0.0	0.0
Total Creditors	54.2	77.8	91.3	107.9	118.0
Other Current Liabilities	10.9	11.3	2.1	2.1	2.1
Total Current Liabilities	88.3	138.6	93.4	110.0	120.1
Total Long-term Debt	18.3	31.8	111.7	170.9	216.0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	23.9	15.6	14.8	10.7	7.6
Total Non-current Liabilities	42.2	47.4	126.5	181.5	223.6
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	130.6	186.0	219.9	291.6	343.7
Shareholders' Equity	160.7	170.3	182.0	201.7	225.7
Minority Interests	0.2	0.3	0.7	1.3	1.8
Total Equity	160.9	170.6	182.7	203.1	227.6

Key Ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue Growth	101%	23%	88%	20%	10%
Operating EBITDA Growth	N/A	81.4%	20.2%	30.4%	13.2%
Operating EBITDA Margin	9.4%	13.8%	8.8%	9.6%	9.8%
Net Cash Per Share (US\$)	(0.024)	(0.036)	(0.066)	(0.084)	(0.068)
BVPS (US\$)	0.11	0.12	0.13	0.14	0.16
Gross Interest Cover	0.69	2.31	2.53	3.09	2.94
Effective Tax Rate	82.4%	13.6%	15.2%	15.0%	15.0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	113.8	115.7	89.1	91.6	95.3
Inventory Days	1.14	1.42	0.91	1.02	1.05
Accounts Payables Days	85.68	99.22	65.01	64.60	67.01
ROIC (%)	1.3%	7.5%	9.9%	12.5%	13.6%
ROCE (%)	1.10%	5.74%	6.95%	9.20%	9.56%
Return On Average Assets	1.30%	4.75%	5.16%	6.76%	7.09%

Key Drivers

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Subsea IRM fleet utilisation (%)	63.7%	79.0%	83.3%	83.9%	83.8%
Cable-laying orderbook (US\$m)	27.0	79.0	190.0	205.5	185.7
T&I and Decomm. orderbook (US\$m)	52.0	486.0	382.1	310.1	226.4

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

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South Korea	CGS International Securities Hong Kong Limited, Korea Branch	Financial Services Commission and Financial Supervisory Service
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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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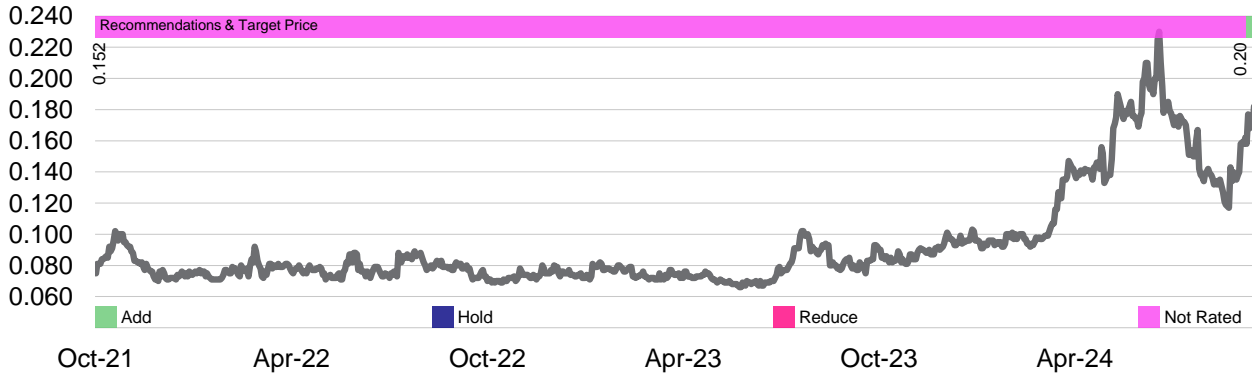
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2024		
588 companies under coverage for quarter ended on 30 June 2024		
	Rating Distribution (%)	Investment Banking clients (%)
Add	65.0%	0.5%
Hold	25.3%	0.5%
Reduce	9.7%	0.3%

Spitzer Chart for stock being researched (2 year data)

Mermaid Maritime (MMT SP)

— Price Close



Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
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