

Marco Polo Marine

BUY

Share Price: S\$0.050
Target Price: S\$0.080
Upside: +60.0%

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) | 13,400.1 |
| 3M Avg Daily Trading Val (\$'000) | 723.7 |
| Major Shareholder / Holdings | Apricot Capital (16.2%) Sean & Family (12.9%) Penguin I'ntl (8.1%) |
| Shares Outstanding (m) | 3757.9 |
| Market Capitalisation (\$m) | 172.2 |
| 52 week Share Price High/Low | S\$0.048 / S\$0.072 |

STOCK PRICE PERFORMANCE

| | | | |
|----------------------------|-----------|-----------|------------|
| | 1M | 3M | 12M |
| Absolute Return (%) | -1.9 | -0.1 | -5.4 |

PRICE CHART



Source : Bloomberg

Gearing up for 2H!

Marco Polo Marine (MPM) released its 1QFY25 business updates and posted a 11%yoy and 9% decline in revenues and gross profit respectively. This was mainly due to lower revenue from both the ship chartering and shipyard, which saw weakness from lower 3rd party chartering. MPM's charter rates remain strong relative to market trends despite the decline. The completion of the fourth shipyard will enhance ship repair and building capabilities, while the upcoming launch of the new CSOV Archer Wind is expected to contribute positively in the second half of 2025.

We maintain our BUY recommendation on MPM with a target price of S\$0.08, pegged to 10.4x forward P/E, representing the same level its peers are trading at. Our positive outlook is driven by: 1) The delays in MPM's CSOV Wind Archer being largely priced in, with most challenges now behind the company 2) Contributions from the new CSOV expected to begin in 2H FY25, supporting earnings growth and 3) A strong balance sheet and a net cash position of S\$35.8mln (20.8% of market cap), providing financial resilience. Additionally, we view recent stake increases by the Lee Family and Apricot Capital, MPM's two largest shareholders, as a strong vote of confidence in the company's long-term prospects.

Ship Chartering experienced a 13% year-over-year decline, primarily due to the expected conclusion of lower third-party chartering income from Taiwan. Thankfully, average fleet utilization remained stable at 71% (+1ppt yoy) and given MPM's strong correlation with the chartering index, we anticipate that increased utilization of MPM-owned vessels will drive improvement in this segment during 2HFY25, supported by robust offshore demand.

This outlook is further bolstered by the upcoming addition of a CSOV and three CTVs in Taiwan, with the full financial benefits expected to materialize by FY26. We note that while MPM's reported fleet utilization figures exclude third-party charters and that Mgmt expects 2Q25 to ship chartering to perform better on a QoQ basis. Lastly, charter rates for MPM's AHTS in Thailand, Indonesia and Malaysia remains stable and Mgmt also expects no drastic changes in the near term.

KEY FINANCIALS

| Sep YE | FY22 | FY23 | FY24 | FY25F | FY26F |
|---------------------|------|-------|-------|-------|-------|
| Revenue (S\$m) | 86.1 | 127.1 | 123.5 | 135.9 | 153.5 |
| Gross Profit (S\$m) | 27.5 | 45.7 | 48.5 | 54.4 | 61.4 |
| EBITDA (S\$m) | 32.4 | 42.8 | 27.3 | 33.2 | 38.1 |
| EBITDA Margin (%) | 37.7 | 33.7 | 22.1 | 24.4 | 24.8 |
| Net Income (S\$m) | 21.3 | 22.6 | 21.7 | 28.7 | 33.0 |
| Net Margin (%) | 24.8 | 17.8 | 17.6 | 21.1 | 21.5 |
| EPS (S cts) | 0.6 | 0.6 | 0.6 | 0.8 | 0.9 |
| Dividend (S cts) | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Dividend Yield (%) | 0.0 | 2.0 | 2.0 | 2.6 | 3.0 |
| PE (x) | 8.8 | 8.3 | 8.7 | 6.6 | 5.7 |
| PB (x) | 1.2 | 1.0 | 0.9 | 0.8 | 0.7 |

Source: Marco Polo Marine, Lim & Tan Research

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Shipyard revenue declined 9% year-over-year due to a slowdown in shipbuilding activity. However, this was partially offset by an increase in ship repair projects, which command higher margins compared to shipbuilding. While shipbuilding revenue tends to be lumpy, we are encouraged by the yard's consistently strong utilization rates, driven by the growing share of ship repair projects, which have supported overall margin improvement.

A significant portion of shipbuilding activity was allocated to the CSOV Wind Archer, which will continue to weigh on earnings in 2Q24 as it undergoes sea trials, thereby incurring costs without generating revenue - However, this impact should subside in 2HFY25 once the vessel sets sail for Taiwan. Additionally, the fourth dry dock is on track for completion by the end of March and is expected to start boost ship repair capacity by 20% -30% and contribute to MPM's performance in due course.

Site Visit to Batam. We recently visited MPM's shipyard in Batam to inspect its newly built CSOV, MP Wind Archer, which is set to begin operations for Vestas in Taiwan this March. We were impressed by Wind Archer's specifications, which include the capacity to carry up to 110 personnel and a well-thought-out design which has a focus on crew comfort. The vessel features spacious, comfortable rooms with strong air conditioning suited for harsh sunny conditions, as well as well-equipped gym facilities, multiple lounge areas, and a dining hall that can accommodate the entire crew.

Despite construction delays, we believe the worst is over for MPM, as Wind Archer is expected to make its full earnings contribution in 2HFY25. The vessel is currently undergoing final sea trials, and plans for a second CSOV are already in motion. We expect the second build to achieve higher margins and shorter construction time (construction typically takes 2 years), benefiting from: (1) lessons learned from the first CSOV and (2) enhanced capabilities, including cable repair functions and increased passenger capacity.

The total cost of Wind Archer is approximately US\$60 million, and if material prices remain constant, MPM could replicate similar costs for its second CSOV. Furthermore, with the successful launch of its first CSOV, we believe securing funding for the next build should be more manageable, with loans likely covering more than half of the costs.

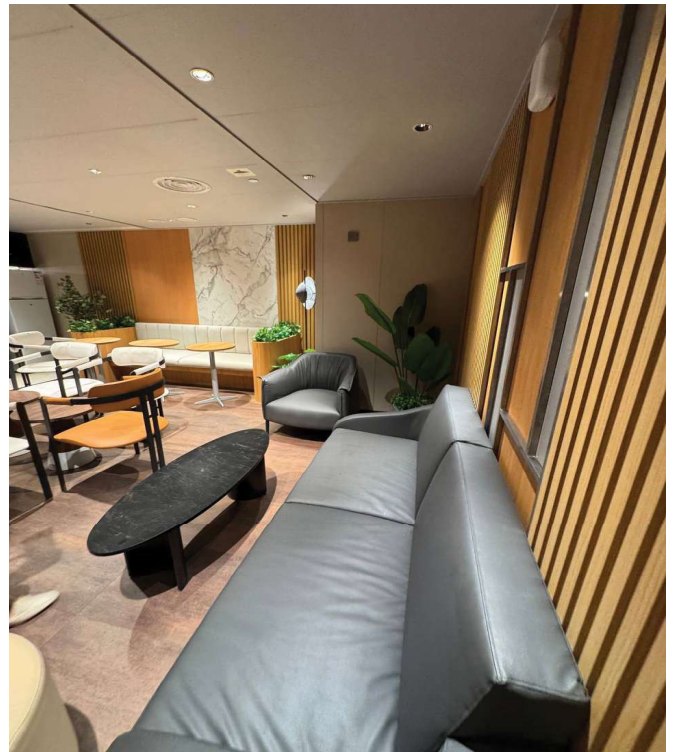
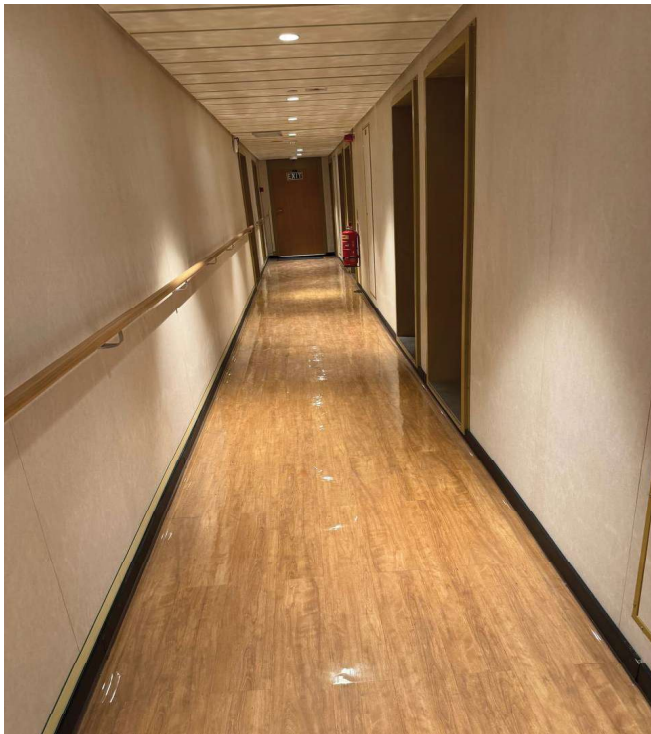
Marco Polo Marine

Exhibit 1: Exterior of MP Wind Archer



Source: LTS Research

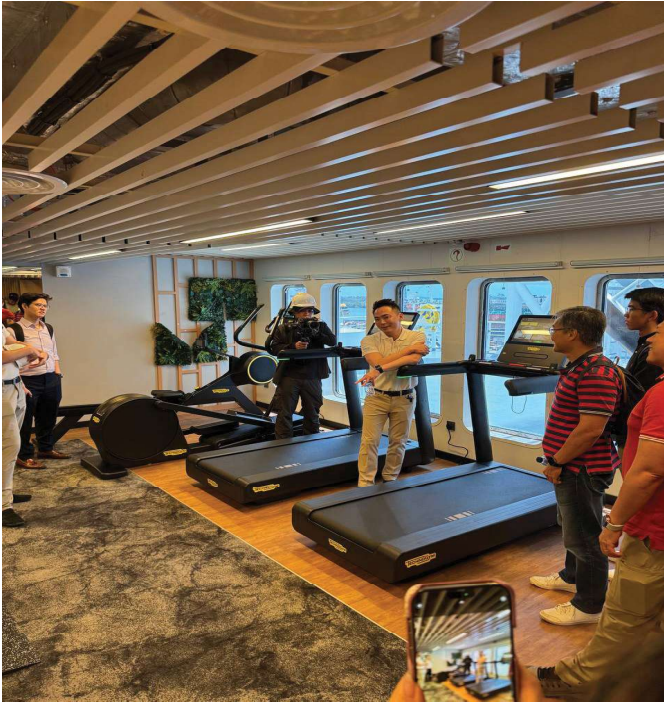
Exhibit 2: Interior Walkway to bunks and one of the many lounges for crew to rest in



Source: LTS Research

Marco Polo Marine

Exhibit 3: Gymnasium and Hospital Beds

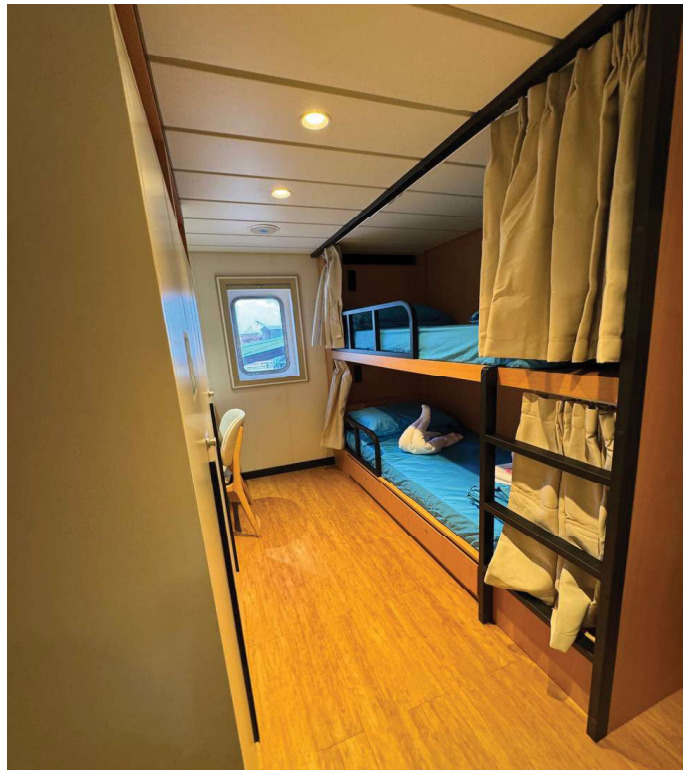


Source: LTS Research

Exhibit 4: Movie Room and Crew Beds



Source: LTS Research



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