

COMPANY UPDATE

Marco Polo Marine (MPM SP)

Ushering In A New Chapter

MPM deployed its first CSOV charter with Siemens for five months starting mid-Apr 25, alongside a three-year framework with Vestas. The ability to fill schedule gaps with short-term charters highlights strong regional demand for support vessels. Additionally, short-term charters typically fetch premium rates. We expect third-party vessel re-chartering to normalise as windfarms complete construction and enter commissioning phase. Maintain BUY with an 8% lower target price of S\$0.066.

WHAT'S NEW

- **CSOV begins maiden charter with Siemens.** Marco Polo Marine (MPM) announced the maiden deployment of its commissioning service operation vessel (CSOV), the MP Wind Archer, to Siemens Gamesa Renewable Energy (Siemens) for offshore wind commissioning works in the Hailong Wind Farm project. This will span from mid-Apr 25 to Aug 25, with an option to extend til Sep 25.
- **Three-year framework agreement with Vestas still in place.** We note that the framework agreement between MPM's Taiwan-based subsidiary, PKR Offshore Co (PKRO) and Vestas Taiwan Co (Vestas), signed back in Nov 23, remains in effect. The three-year term will commence upon first deployment by Vestas and is based on a minimum annual utilisation commitment. Management has shared that the five-month charter with Siemens aligns with the operational needs of both parties, while ensuring optimal utilisation of the CSOV.
- **Short-term charter reflects strong market demand for MPM's CSOV.** In our view, this is a positive development. MPM's ability to secure a short-term project with another charterer during the CSOV's availability underscores the strong demand for support vessels in the Asia Pacific region. Furthermore, short-term charters are typically priced at a premium relative to long-term agreements, which we believe will contribute favourably to MPM's top-line from mid-Apr 25 (2HFY25).
- **Offshore wind investments in Taiwan and Korea to drive growth.** MPM has deployed its CSOV and two new crew transfer vessels (CTV) in Taiwan this year, with a third new CTV scheduled to be deployed in early-May 25. We highlight that in addition to the three-year framework agreement with Vestas for its CSOV, PKRO has secured an Asia-Pacific CTV framework agreement with Siemens for projects in Taiwan and Korea from 2024-26, with an option to extend til 2030. This demand is driven by offshore wind investments in Taiwan and Korea, as both countries pursue net-zero carbon emissions. As these markets scale up their offshore wind capacities, we expect MPM to secure additional projects, further adding to its established track record.

KEY FINANCIALS

Year to 30 Sep (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	127	124	124	156	166
EBITDA	40	34	39	48	51
Operating profit	28	21	25	34	36
Net profit (rep./act.)	23	22	26	32	35
Net profit (adj.)	25	26	26	32	35
EPS (S\$ cents)	0.7	0.7	0.7	0.8	0.9
PE (x)	6.3	6.0	6.1	5.0	4.6
P/B (x)	0.9	0.9	0.8	0.7	0.6
EV/EBITDA (x)	2.8	3.3	2.8	2.3	2.2
Dividend yield (%)	2.4	2.4	4.8	4.8	4.8
Net margin (%)	17.8	17.6	21.0	20.4	20.9
Net debt/(cash) to equity (%)	(35.3)	(18.5)	(30.7)	(43.4)	(55.4)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	14.7	12.3	13.4	14.5	14.2
Consensus net profit	-	-	27	32	36
UOBKH/Consensus (x)	-	-	0.95	0.99	0.95

Source: Marco Polo Marine, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.042
Target Price	S\$0.066
Upside	+57.1%
(Previous TP)	S\$0.072)

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):	157.7
Market cap (US\$m):	120.5
3-mth avg daily t'over (US\$m):	0.5

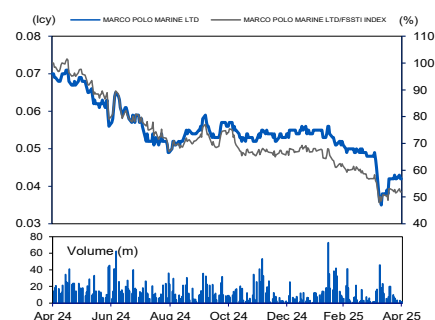
Price Performance (%)

52-week high/low	S\$0.072/S\$0.033			
1mth	3mth	6mth	1yr	YTD
(12.5)	(22.2)	(26.3)	(37.3)	(22.2)

Major Shareholders

Lee Family	22.6
Apricot Capital	16.2
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

- **On the OSV front, tight vessel supply should keep rates elevated**, driven by supply constraints, limited shipyard capacity, scarce financing and few newbuilds. As of Dec 24, channel checks indicated that the global orderbook comprised just 40 anchor handlers and 30 platform supply vessels, with delivery timelines of around two years. This creates a strong market opportunity for vessel owners like MPM in the near to medium term, with its fleet of 14 OSVs averaging 10 years in age. Latest checks also show that day rates for 5k-bhp anchor handling tug supply vessels in Southeast Asia remain firm at US\$8,395, up 5% from 2024 and 22% from 2023's average.
- **However, we expect lower average fleet utilisation for 2025 as windfarms enter commissioning phase.** MPM's average fleet utilisation rate should return to historical operating levels of around 70-80% in FY25, down from the robust 95% levels in FY23. This is because windfarms are completing construction phase and entering commissioning phase. Hence, we trim our FY25 earnings by around 9% to S\$26m (S\$29m previously).

EARNINGS REVISION/RISK

- **We trim FY25/26/27 earnings by 9%/4%/4% respectively** as we lower revenue forecasts on expected reduced average fleet utilisation rates. As windfarms enter commissioning phase, we are of the view that utilisation rates will return to more typical operating levels in FY25.

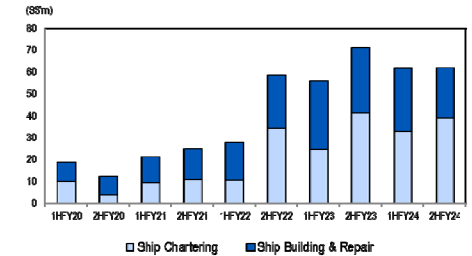
VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of S\$0.066 (S\$0.072 previously)**, pegged to 9.5x FY25F PE or +1SD above its historical three-year PE range. MPM benefits from the high charter rates and is focused on growth. It currently trades at an attractive 6.1x FY25F PE.

SHARE PRICE CATALYST

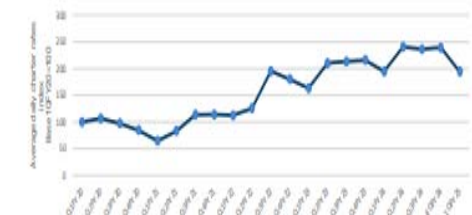
- Higher-than-expected ship charter rates and vessel utilisation.
- Award of new ship chartering contracts.
- Higher value of repair projects during the year.

SEGMENTAL CONTRIBUTION (1HFY20-2HFY24)



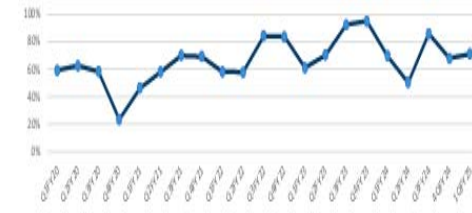
Source: Marco Polo Marine, UOB Kay Hian

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



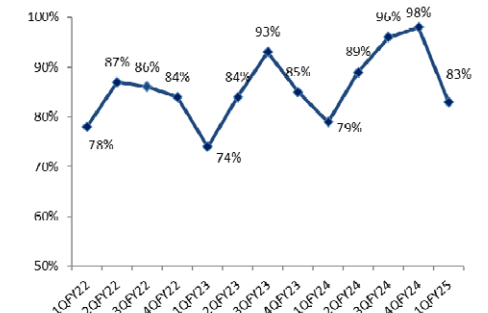
Source: Marco Polo Marine, UOB Kay Hian

AVERAGE FLEET UTILISATION RATES (1QFY20-1QFY25)



Source: Marco Polo Marine, UOB Kay Hian

SHIPYARD UTILISATION RATES (1QFY22-1QFY25)



Source: Marco Polo Marine

PROFIT & LOSS

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Net turnover	123.5	124.4	155.6	166.0
EBITDA	33.8	39.3	48.1	50.9
Deprec. & amort.	12.4	14.0	14.3	14.6
EBIT	21.4	25.3	33.8	36.2
Associate contributions	3.3	3.3	0.0	0.0
Net interest income/(expense)	0.2	0.2	0.2	0.2
Pre-tax profit	0.9	1.6	2.9	3.9
Tax	25.7	30.4	36.9	40.3
Minorities	(1.8)	(2.1)	(2.6)	(2.8)
Net profit	(2.2)	(2.2)	(2.6)	(2.9)
Net profit (adj.)	21.7	26.1	31.7	34.6

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	47.5	58.7	61.6
Total assets	276.9	302.3	343.9	382.9
ST debt	20.4	20.4	20.4	20.4
Other current liabilities	32.6	33.2	41.5	44.3
LT debt	14.4	14.4	14.4	14.4
Other LT liabilities	8.5	11.1	16.0	23.5
Shareholders' equity	183.6	206.0	230.1	257.2
Minority interest	17.4	17.3	21.6	23.0
Total liabilities & equity	276.9	302.3	343.9	382.9

CASH FLOW

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Operating	37.6	37.2	47.6	52.7
Pre-tax profit	25.7	30.4	36.9	40.3
Tax	(1.8)	(1.5)	(1.2)	(2.1)
Deprec. & amort.	12.4	14.0	14.3	14.6
Working capital changes	9.6	(5.6)	(2.3)	(0.2)
Non-cash items	(8.4)	0.0	0.0	0.0
Investing	(56.0)	(5.5)	(5.1)	(4.1)
Capex (growth)	(69.8)	(8.0)	(8.0)	(8.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	13.9	2.5	2.9	3.9
Financing	25.2	(4.6)	(7.5)	(7.5)
Dividend payments	(3.8)	(3.8)	(7.5)	(7.5)
Issue of shares	0.0	0.0	0.0	0.0
Loan repayment	31.0	0.0	0.0	0.0
Others/interest paid	(2.0)	(0.9)	0.0	0.0
Net cash inflow (outflow)	6.9	27.1	35.0	41.1
Beginning cash & cash equivalent	63.1	68.8	95.9	130.9
Changes due to forex impact	(1.2)	0.0	0.0	0.0
Ending cash & cash equivalent	68.8	95.9	130.9	172.0

KEY METRICS

Year to 30 Sep (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	27.3	31.6	30.9	30.7
Pre-tax margin	20.8	24.4	23.7	24.3
Net margin	17.6	21.0	20.4	20.9
ROA	8.6	9.0	9.8	9.5
ROE	12.3	13.4	14.5	14.2
Growth				
Turnover	(2.8)	0.7	25.0	6.7
EBITDA	(15.1)	16.4	22.4	5.8
Pre-tax profit	(15.6)	18.3	21.3	9.4
Net profit	(3.9)	20.2	21.5	9.2
Net profit (adj.)	4.3	(0.7)	21.5	9.2
EPS	4.3	(0.7)	21.5	9.2
Leverage				
Debt to total capital	14.8	13.5	12.1	11.0
Debt to equity	18.9	16.9	15.1	13.5
Net debt/(cash) to equity	(18.5)	(30.7)	(43.4)	(55.4)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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