COMPANY RESULTS

Marco Polo Marine (MPM SP)

3QFY25: Results In Line; The Worst Is Over; CSOV Debut To Drive A Stronger FY26

MPM's 3QFY25 gross profit of S$14m (-4% yoy) brought 9MFY25 to 73% of our full-year forecast, in line with expectations. Ship chartering fell 4% yoy on softer Taiwan rechartering, but was supported by maiden CSOV contributions and higher utilisation (+6ppt yoy). Shipyard revenue declined 19% yoy on reduced shipbuilding, although repair utilisation improved to 88% (+15ppt yoy). Looking ahead, its new vessels and dry dock are set to drive FY26 growth. Maintain BUY with a higher target price of S$0.076.

3Q/9MFY25 UPDATE

Year to 30 Sep (S$m)	3QFY25	3QFY24	yoy % chg	9MFY25	9MFY24	yoy % chg
Revenue	31.7	34.9	(9.0)	84.4	96.5	(13.0)
- Ship chartering	*22.2*	*23.1*	*(4.0)*	*54.2*	*56.0*	*(3.2)*
- Shipyard operations	*9.5*	*11.8*	*(19.4)*	*30.2*	*40.5*	*(24.7)*
Gross profit	14.4	14.6	(4.0)	35.6	36.8	(3.0)
Gross margin (%)	44.0	41.8	+2.2ppt	42.0	38.2	+3.8ppt

Source: Marco Polo Marine, UOB Kay Hian

RESULTS

- **In line with expectations.** Marco Polo Marine (MPM) reported 3QFY25 revenue of S$31.7m (-9% yoy), weighed by weaker shipyard contributions and lower third-party vessel rechartering in Taiwan. Gross profit came in at S$14m (-4% yoy), although gross margin improved to 44% (3QFY24: 42%) on a more favourable revenue mix with fewer low-margin recharters. This brought 9MFY25 revenue and gross profit to form 70% and 73% of our full-year forecasts respectively, in line with expectations.
- **Ship chartering: CSOV debut offsets soft rechartering.** Ship chartering revenue fell 4% yoy to S$22m, as softer third-party rechartering in Taiwan was partly offset by higher charter rates. Notably, MPM booked its maiden income from MP Wind Archer, its first commissioning service operation vessel (CSOV), which commenced operations in Apr 25. Vessel utilisation improved to 71% in 3QFY25 (2QFY25: 65%), reflecting healthier chartering activity. OSV demand from both oil & gas and renewables remained stable, with charter rates trending slightly higher.
- **Shipyard: Lower shipbuilding, but repair activity strengthens.** Shipyard revenue declined 19% yoy to S$9.5m on fewer shipbuilding projects. However, repair activity picked up strongly, with average ship repair utilisation rising to 88% in 3QFY25 (2QFY25: 73%), signalling a recovery in yard activity.

KEY FINANCIALS

Year to 30 Sep (S$m)	2023	2024	2025F	2026F	2027F
Net turnover	127	124	124	151	166
EBITDA	40	34	39	46	51
Operating profit	28	21	25	32	36
Net profit (rep./act.)	23	22	26	30	35
Net profit (adj.)	25	26	26	30	35
EPS (S$ cents)	0.7	0.7	0.7	0.8	0.9
PE (x)	9.4	9.0	9.1	7.9	6.8
P/B (x)	1.4	1.3	1.1	1.0	0.9
EV/EBITDA (x)	4.8	5.6	4.9	4.1	3.7
Dividend yield (%)	1.6	1.6	3.2	3.2	3.2
Net margin (%)	17.8	17.6	21.0	19.9	20.9
Net debt/(cash) to equity (%)	(35.3)	(18.5)	(30.7)	(43.8)	(55.8)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	14.7	12.3	13.4	13.8	14.3
Consensus net profit	-	-	25	29	33
UOBKH/Consensus (x)	-	-	1.04	1.02	1.06

Source: Marco Polo Marine, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S$0.063
Target Price	S$0.076
Upside	+20.6%
(Previous TP:	*S$0.066)*

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$m):	235.6
Market cap (US$m):	184.3
3-mth avg daily t'over (US$m):	0.6

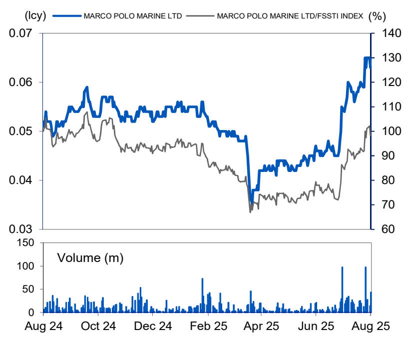
Price Performance (%)

52-week high/low S$0.066/S$0.033

1mth	3mth	6mth	1yr	YTD
n.a.	46.5	16.7	18.9	16.7

Major Shareholders	%
Lee Family	22.6
Apricot Capital	16.5
Penguin International	8.1
FY25 NAV/Share (S$)	0.05
FY25 Net Cash/Share (S$)	0.02

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **New vessels and dry dock to drive a stronger FY26.** MPM's first CSOV and three newly acquired crew transfer vessels (CTVs) in Taiwan are expected to contribute meaningfully from 4QFY25, with the full-year impact in FY26. We estimate that a CSOV and CTV may generate around US$13m (~S$17m) and US$2m (~S$3m) in revenue respectively over a full year of operations. Additionally, its fourth dry dock at Batam has been completed and will accommodate its first vessel from end-Aug 25, expanding capacity by around 25% and boosting shipyard income in FY26.

- **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 the region remain firm at US$8,498, up 6% from 2024 and 23% from 2023's average.

- **Riding offshore tailwinds.** Management continues to diversify beyond the cyclical oil & gas sector into offshore wind, which offers compelling growth. The sector currently has 83GW of installed capacity, 48GW under construction, and another 100GW projected over the next two years. Robust auction activity in 2024 totalled 56.3GW, led by China, Europe, the US and Northeast Asia, the latter being where MPM's CSOV is deployed. The dual-use versatility of CSOVs for both offshore wind and oil & gas operations reinforces their strategic value. Backed by its integrated model as designer, builder, owner and operator, MPM is well-positioned to capture growth opportunities ahead.

EARNINGS REVISION/RISK

- **We maintain our earnings forecasts.**

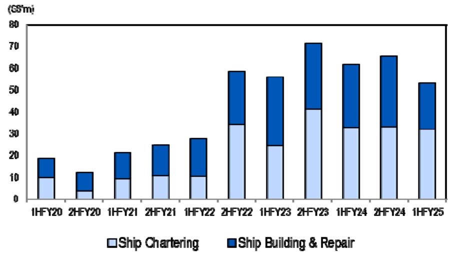
VALUATION/RECOMMENDATION

- **Maintain BUY with a 15% higher target price of S$0.076 (S$0.066 previously),** after rolling forward our valuation base year to FY26. This is pegged to an unchanged 9.5x FY26F PE or 1SD above its historical three-year PE range, reflecting stronger earnings visibility from its CSOV debut, new CTV contributions and expanded shipyard capacity. At current levels, MPM trades at 7.9x FY26F PE, offering an attractive entry point ahead of FY26 growth catalysts.

SHARE PRICE CATALYST

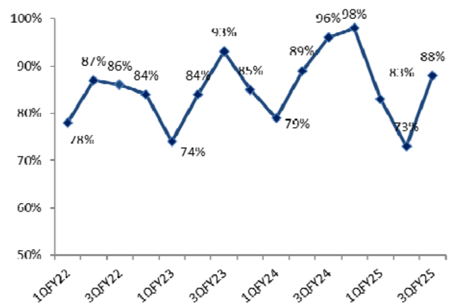
- Higher-than-expected ship charter rates and vessel utilisation.
- Award of new ship chartering contracts.
- Higher value of repair projects during the year.

SEGMENTAL CONTRIBUTION (1HFY20 – 1HFY25)



Source: Marco Polo Marine, UOB Kay Hian

SHIPYARD UTILISATION RATES (1QFY22 – 3QFY25)



Source: Marco Polo Marine, UOB Kay Hian

PROFIT & LOSS

Year to 30 Sep (S$m)	2024	2025F	2026F	2027F
Net turnover	123.5	124.4	151.0	166.0
EBITDA	33.8	39.3	46.3	50.9
Deprec. & amort.	12.4	14.0	14.3	14.6
EBIT	21.4	25.3	32.0	36.2
Total other non-operating income	3.3	3.3	0.0	0.0
Associate contributions	0.2	0.2	0.2	0.2
Net interest income/(expense)	0.9	1.6	2.9	3.9
Pre-tax profit	25.7	30.4	35.1	40.3
Tax	(1.8)	(2.1)	(2.5)	(2.8)
Minorities	(2.2)	(2.2)	(2.6)	(2.9)
Net profit	21.7	26.1	30.0	34.6
Net profit (adj.)	26.3	26.1	30.0	34.6

BALANCE SHEET

Year to 30 Sep (S$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	57.0	61.6
Total assets	276.9	302.3	342.2	382.9
ST debt	20.4	20.4	20.4	20.4
Other current liabilities	32.6	33.2	40.1	44.3
LT debt	14.4	14.4	14.4	14.4
Other LT liabilities	8.5	11.1	17.9	25.2
Shareholders' equity	183.6	206.0	228.5	255.6
Minority interest	17.4	17.3	20.9	23.0
Total liabilities & equity	276.9	302.3	342.2	382.9

CASH FLOW

Year to 30 Sep (S$m)	2024	2025F	2026F	2027F
Operating	37.6	37.2	46.0	52.6
Pre-tax profit	25.7	30.4	35.1	40.3
Tax	(1.8)	(1.5)	(1.5)	(1.7)
Deprec. & amort.	12.4	14.0	14.3	14.6
Working capital changes	9.6	(5.6)	(1.9)	(0.7)
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	33.4	41.0
Beginning cash & cash equivalent	63.1	68.8	95.9	129.3
Changes due to forex impact	(1.2)	0.0	0.0	0.0
Ending cash & cash equivalent	68.8	95.9	129.3	170.3

KEY METRICS

Year to 30 Sep (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	27.3	31.6	30.7	30.7
Pre-tax margin	20.8	24.4	23.2	24.3
Net margin	17.6	21.0	19.9	20.9
ROA	8.6	9.0	9.3	9.5
ROE	12.3	13.4	13.8	14.3
Growth				
Turnover	(2.8)	0.7	21.3	9.9
EBITDA	(15.1)	16.4	17.8	10.0
Pre-tax profit	(15.6)	18.3	15.3	15.0
Net profit	(3.9)	20.2	15.1	15.3
Net profit (adj.)	4.3	(0.7)	15.1	15.3
EPS	4.3	(0.7)	15.1	15.3
Leverage				
Debt to total capital	14.8	13.5	12.2	11.1
Debt to equity	18.9	16.9	15.2	13.6
Net debt/(cash) to equity	(18.5)	(30.7)	(43.8)	(55.8)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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