

Offshore & Marine

Robust Data Across The Industry

Highlights

- Industry remains robust: Offshore rig day rates have risen ytd, supported by oil demand upgrades from the US EIA and higher greenfield capex.
- The global pipeline for FPSO/non-FPSO awards appears strong with over US\$38b worth of projects to be awarded in the next 12 months.
- Top picks in the sector remain Seatrium and Marco Polo Marine.

Analysis

- **Higher day rates for all offshore rigs.** YTD, all four types of rigs that we monitor (see charts at the end of this report) have seen between 7-32% day rate increases with the highest being deepwater semi submersibles where the pricing is approaching US\$300,000/day, a level not seen at a sustained level in the past 10 years. Utilisation rates for most types of rigs have seen slight degradation vs 2024, albeit off 10-year highs.
- **Neutral to slightly bullish based on oil majors' capex spending intentions.** After the 1H25 results season, it appears that capital expenditure in traditional upstream oil and gas is expected to slow from 2025, with an average annual decline of around 3% from 2025-29. Nevertheless, industry estimates point to anticipated large-scale oil developments in regions like Brazil, Guyana, Ghana, Mexico, Namibia, and the US which should see capex for greenfield projects increase significantly in the next few years.
- **STM's potential pipeline looks robust.** According to Energy Maritime Associates' latest report, the next 12 months could see 13 FPSO projects worth US\$24.6b and another 13 non-FPSOs projects worth US\$13.8b awarded. Of these, there are four Brazilian FPSOs worth US\$2.3b-2.7b each while key FPSO projects outside of Brazil that could come to the market include ExxonMobil's Longtail project (US\$3.0b) and Total Energies' Venus project (US\$2.5b).
- **Global oil demand – forecasts upgraded.** We note that in its latest Short-Term Energy Outlook, the US Energy Information Administration (EIA) raised its OECD oil demand forecasts for 2025 and 2026 by 0.3% and 0.7% respectively while non-OECD demand has been increased by 0.3% and 0.2% respectively. Interestingly, only India demand was downgraded while key demand centres like the US, China and the Middle East were upgraded as economic growth has been better than expected. At present, the EIA has forecast reasonably robust demand growth of 0.9mmbpd and 1.3mmbpd in 2025 and 2026 respectively.

Peer Comparison

Company	Ticker	Rec	Price (\$)		+/- to target %	M.cap US\$m	PE (x)		P/B (x)		EV/EBITDA (x)		ROE %	Yield %
			25 Sep	Target			2025F	2026F	2025F	2026F	2025F	2026F		
Seatrium	STM SP	BUY	2.42	2.96	22.3	6,415	28.8	21.6	1.3	1.2	11.7	10.6	4.5	1.1
YZJ Shipbldg	YZJSGD SP	BUY	3.32	3.45	3.9	10,144	8.8	8.2	2.2	1.8	6.1	5.3	26.8	3.4
Marco Polo Marine*	MPM SP	BUY	0.077	0.088	14.3	224	11.5	9.9	1.4	1.3	7.7	6.5	12.9	2.6
Average - Spore listed							16.4	13.2	1.6	1.4	8.5	7.5	14.7	2.3
Hanwha Ocean Co	042660 KS	NR	109,600	114,096	4.1	23,968	35.8	27.2	5.8	4.8	24.9	20.6	17.7	0.0
Samsung Heavy Ind	010140 KS	NR	21,950	24,799	13.0	13,786	30.7	19.3	4.3	3.5	20.3	14.0	15.3	0.1
HD Korea Shipbldg	009540 KS	NR	403,000	470,498	16.7	20,356	13.0	9.4	2.2	1.9	6.0	4.7	18.1	2.3
China CSSC Hldg Ltd-A	600150 CH	NR	34.89	42.00	21.6	36,850	20.6	14.7	2.7	2.4	23.0	17.0	13.6	2.0
CSSC O&M E-A	600685 CH	NR	26.07	n.a.	n.a.	4,128	37.8	23.9	n.a.	n.a.	n.a.	n.a.	5.2	n.a.
Average - Sector							23.4	16.8	2.8	2.4	12.8	10.3	15.9	1.6

Note: NR = not rated – data and target price from Bloomberg; * fiscal year ending 30 Sep Source: Bloomberg, UOB Kay Hian

OVERWEIGHT
(Maintained)

Analyst(s)

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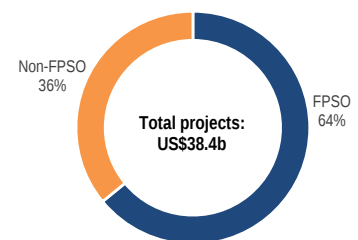
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Sector Picks

Company	Ticker	Rec	Price (\$)	
			25 Sep	Target
Marco Polo	MPM SP	BUY	0.077	0.088
Seatrium	STM SP	BUY	2.44	2.96
YZJ Shipbldg	YZJSGD SP	BUY	3.32	3.45

Source: Bloomberg, UOB Kay Hian

Potential project awards in the next 12 months



Source: Energy Maritime Associates

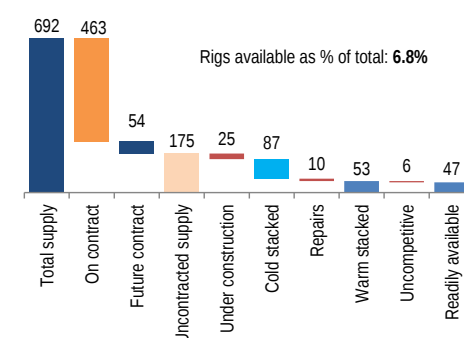
Essentials

- Shipping industry seeing market strength...** Despite volatility, the cross-market ClarkSea Index (which reflects global shipping earnings) improved from around \$24,000/day in the first half of 2025 to nearly \$30,000/day by mid-September with most shipping segments maintaining healthy cash flow. Containerships, tankers and bulk carriers have seen robust yoy earnings growth although specific sectors such as transpacific routes for containerships remain weak due to US tariffs.
- ... with certain segments helped by geopolitics.** Up to mid-September, global seaborne trade volume growth has been steady (0.1% yoy increase forecasted for the full year); however, the geopolitical disruption, such as the Red Sea rerouting, continues to inflate tonne-mile demand, adding roughly 2.5% extra demand overall, and supporting charter rates, especially in the container segment.
- Divesting from the US at the right time.** Earlier this week, Seatrion (STM) announced the divestment of its AmFELS yard in the US to Karpowership of Turkey for S\$65m and unlocking value from one of its 'surplus facilities'. STM will book a S\$26m gain on the sale given that the book value of the divested assets as at end-1H25 was around S\$39m. Following on from the asset divestment, STM will maintain its presence in the US via its offices in Houston, Texas, and Vicksburg, Mississippi. We view this divestment as a strategically important move given the elevated sovereign risk in the US after the arrest and imprisonment of hundreds of Korean workers at a Hyundai battery factory in Georgia.
- Offshore wind – challenges ahoy.** As seen in the chart overleaf, forecasts for offshore wind capacity have been downgraded in the past 18 months as the industry is facing a challenging macroeconomic environment, and margins have been pressured while political support has waned, all of which continue to dampen investor sentiment. In European markets, wind vessel markets are experiencing healthy day rates, but there are substantial newbuild orderbooks that require close attention, suggesting potential supply challenges. At the project level, there are hurdles such as high capital requirements and policy risk. For example, the required Internal Rate of Return (IRR) is now estimated to be greater than 10% nominal, leading to the postponement of 2GW of 'zero-subsidy' Dutch offshore wind tenders due to a lack of bidder engagement.
- Marco Polo Marine (MPM SP/BUY/Target: S\$0.088) the favoured way to play offshore wind.** Despite the challenges listed above, the offshore wind market remains structurally important to the energy transition in our view, with 25-35 GW of new capacity planned to be sanctioned in Asia Pacific between 2024 and 2029. Given this growth trajectory, we continue to favour Marco Polo Marine. We highlight that the company is targeting a listing in Taiwan for its offshore wind vessel subsidiary to fund expansion of its specialised fleet and we believe the stock could be one of the beneficiaries of the growing wind market in Asia.

Sector Catalyst/Risk

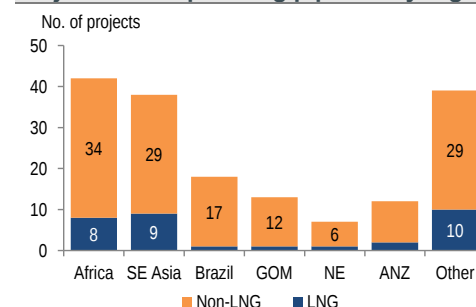
- Delays in project sanctioning due to supply chain issues.
- Lack of financing for fossil fuel-related industries.
- Global recession leading to lower capex and commodity demand.

Global rig supply overview



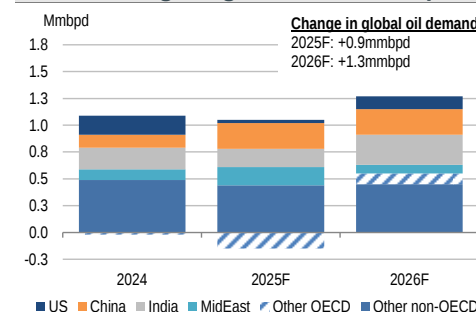
Source: Bloomberg

Projects in the planning pipeline by region



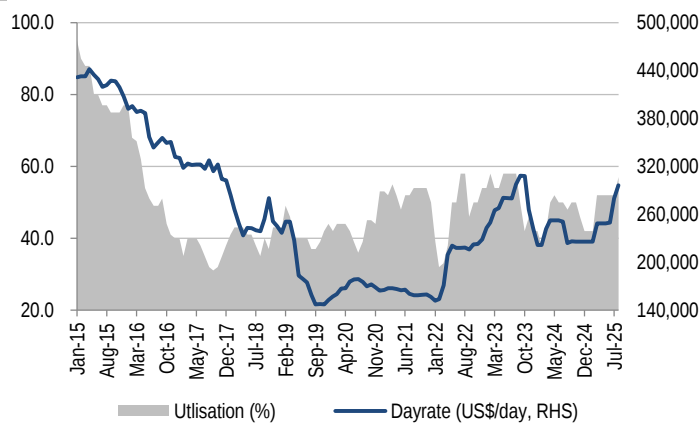
Source: Energy Maritime Associates

Annual change in global oil consumption



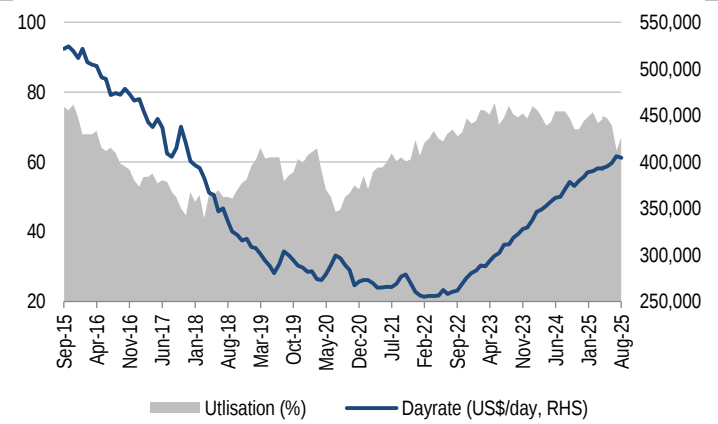
Source: US Energy Information Administration

Day rate & utilisation: Semisub >7,500'



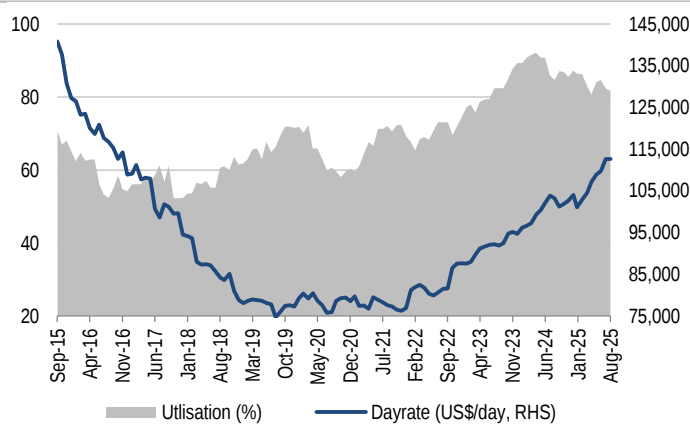
Source: Bloomberg, Riglogix

Day rate & utilisation: Drillship >7,500'



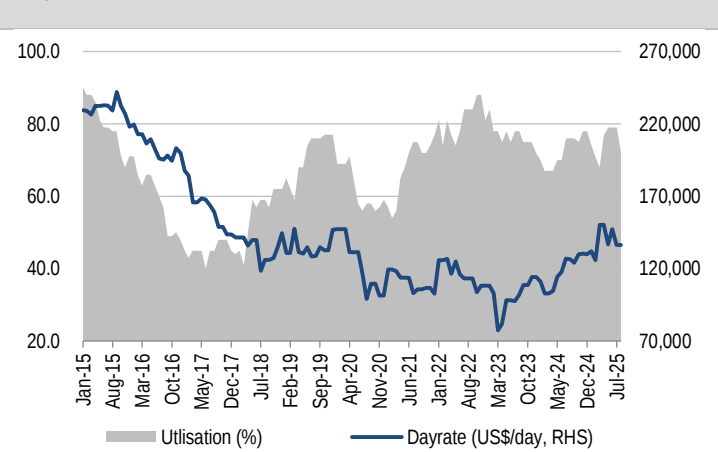
Source: Bloomberg, Riglogix

Day rate & utilisation: Jackup 361-400' Independent cantilevered



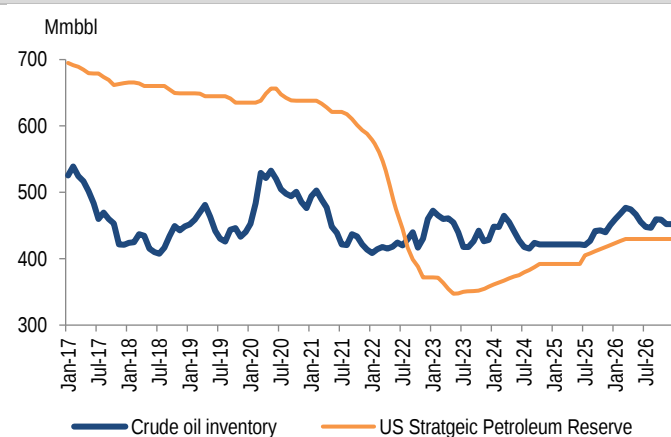
Source: Bloomberg, Riglogix

Day rate & utilisation: Jackup harsh standard



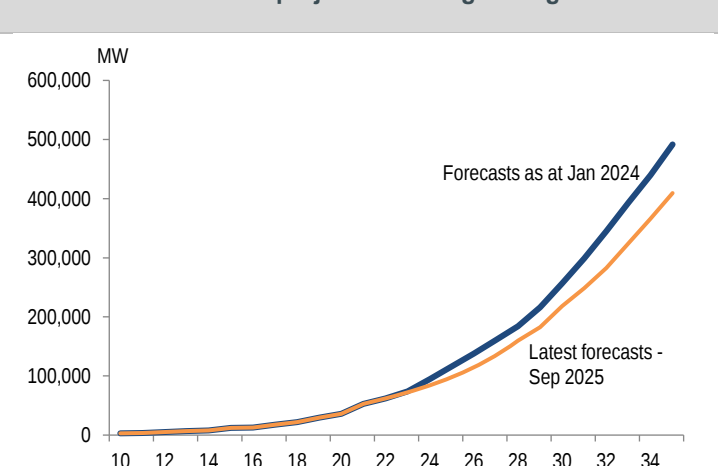
Source: Bloomberg, Riglogix

Crude oil inventories: US commercial vs Strategic Petroleum Reserve



Source: US Energy Information Administration

Offshore wind: Bullish projections being downgraded



Source: Bloomberg

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