

## Marco Polo Marine (MPM SP)

Game-changing Shipbuilding Contract Marks A New Growth Chapter; Raise Target Price By 57%

### Highlights

- The landmark S\$198m specialised vessel win boosts orderbook and provides earnings visibility from FY26-29.
- Higher-margin profile expected, with specialised ORV construction likely to lift margins toward the upper end of its historical range, supporting earnings growth.
- We lift our earnings estimates by around 10% for FY26/27. Maintain BUY with a 57% higher target price of S\$0.138 (S\$0.088 previously).

### Analysis

- S\$198m contract secures multi-year earnings visibility.** Marco Polo Marine's (MPM) landmark oceanographic research vessel award (ORV) from Taiwan's National Academy of Marine Research (NAMR) – the largest in MPM's history – significantly lifts its orderbook and provides clear revenue visibility across FY26-29. Assuming percentage-of-completion accounting, the project is expected to contribute an estimated additional S\$50m revenue annually, a material uplift vs MPM's historical shipyard revenues of S\$40m-60m.
- Upside to margin outlook from specialised construction.** High-spec research vessels typically command stronger margins due to engineering complexity and limited competition. Coupled with MPM's in-house capabilities and proven track record, its shipbuilding margins are expected to trend toward the upper end of its historical range of 8-12%, supporting earnings accretion during this period.
- Cash flow accretive and balance sheet friendly.** The project is fully self-financed, eliminating leverage risk. Progressive milestone payments from NAMR will drive healthy operating cash flows throughout the four-year construction period, easing working capital requirements. This enhances liquidity for reinvestment in strategic growth areas, such as offshore wind vessel expansion, without relying on external financing or equity dilution. This positions MPM for sustainable, organic expansion while maintaining a healthy balance sheet.

### Key Financials

Year to 30 Sep (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	127	124	124	164	177
EBITDA	40	34	38	49	52
Operating profit	28	21	24	35	38
Net profit (rep./act.)	23	22	25	32	36
Net profit (adj.)	25	26	25	32	36
EPS (S\$ cent)	0.7	0.7	0.7	0.9	1.0
PE (x)	16.0	15.3	16.0	12.4	11.2
P/B (x)	2.4	2.2	2.0	1.7	1.6
EV/EBITDA (x)	9.0	10.5	9.3	7.3	6.8
Dividend yield (%)	0.9	0.9	1.9	1.9	1.9
Net margin (%)	17.8	17.6	20.2	19.8	20.3
Net debt/(cash) to equity (%)	(35.3)	(18.5)	(30.8)	(43.5)	(55.2)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	14.7	12.3	12.9	14.9	14.7
Consensus net profit (\$m)	-	-	24	29	33
UOBKH/Consensus (x)	-	-	1.05	1.13	1.10

	<b>BUY (Maintained)</b>
Share Price	S\$0.107
Target Price	S\$0.138
Upside	+29.0%
(Previous TP)	S\$0.088)

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### Stock Data

GICS Sector	Industrials
Bloomberg ticker	MPM SP
Shares issued (m)	3,755.7
Market cap (\$m)	401.9
Market cap (US\$m)	308.9
3-mth avg daily t'over (US\$m)	1.9

### Price Performance (%)

52-week high/low	S\$0.109/S\$0.033			
1mth	3mth	6mth	1yr	YTD
24.4	69.8	143.2	101.9	98.1

### Major Shareholders

	%
Apricot Capital	16.17
Natical Int'l	12.85
Penguin Int'l	8.09
FY25 NAV/Share (\$)	0.05
FY25 Net Cash/ Share (\$)	0.02

### Price Chart



Source: Bloomberg

### Company Description

Marco Polo Marine is an integrated shipping company. The company provides services that include ship chartering, ship building and repair, and brokering services.

Source: MPM, Bloomberg, UOB Kay Hian

- **Dual growth engines continue to drive upside.** The contract win enhances MPM's second growth pillar in high-value specialised vessel construction, complementing: a) resilient ship-repair cash flows from the expanded Batam yard capacity, and b) structural tailwinds in offshore wind logistics. The upcoming contribution from MP Wind Archer and three new crew transfer vessels (CTV), together with the operationalisation of Dry Dock 4, strengthens recurring earnings. Meanwhile, the proposed PKR Offshore Taiwan listing remains a potential value-unlocking catalyst as MPM expands its presence in the fast-growing marine energy and blue-economy markets.

## Valuation/Recommendation

- **Maintain BUY with a 57% higher target price of S\$0.138 (S\$0.088 previously).** We raise our valuation peg from 11.3x FY26F PE (-0.5SD to the mean) to 16x (mean) to reflect the stronger earnings visibility and improved margins following the landmark S\$198m ORV contract win.
- With its healthy balance sheet (NAV of S\$210m or S\$0.056/share) and expanding exposure to structural growth sectors such as offshore wind and marine research, MPM now warrants a higher valuation multiple to capture both the better earnings and its next phase of growth, in our view.

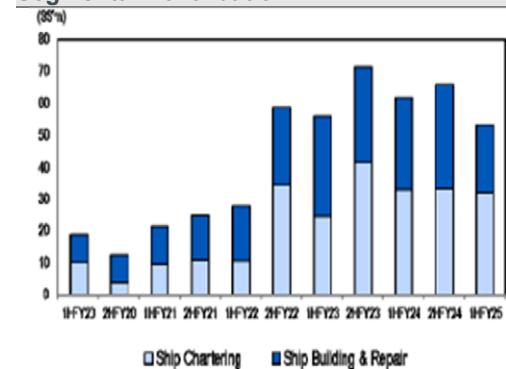
## Earnings Revision/Risk

- We raise our FY26/27 revenue forecasts by 9%/6% respectively, after factoring in the annual shipbuilding contributions from the landmark project win. Consequently, our FY26/27 earnings forecasts are raised by 11%/8% respectively.

## 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



Source: MPM, UOB Kay Hian

### Shipyard Utilisation Rate



Source: MPM, UOB Kay Hian

### Profit & Loss

Year to 30 Sep (\$'m)	2024	2025F	2026F	2027F
Net turnover	123.5	124.4	164.4	176.5
EBITDA	33.8	38.3	48.9	52.2
Deprec. & amort.	12.4	14.0	14.3	14.6
EBIT	21.4	24.3	34.6	37.6
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	29.4	37.7	41.7
Tax	(1.8)	(2.1)	(2.6)	(2.9)
Minorities	(2.2)	(2.2)	(2.6)	(2.9)
Net profit	21.7	25.1	32.5	35.9
Net profit (adj.)	26.3	25.1	32.5	35.9

### 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	62.0	65.6
<b>Total assets</b>	<b>276.9</b>	<b>302.3</b>	<b>347.3</b>	<b>386.8</b>
ST debt	20.4	20.4	20.4	20.4
Other current liabilities	32.6	33.0	43.6	46.9
LT debt	14.4	14.4	14.4	14.4
Other LT liabilities	8.5	12.2	16.1	22.3
Shareholders' equity	183.6	205.0	230.0	258.3
Minority interest	17.4	17.3	22.8	24.5
<b>Total liabilities &amp; equity</b>	<b>276.9</b>	<b>302.3</b>	<b>347.3</b>	<b>386.8</b>

### Cash Flow

Year to 30 Sep (\$'m)	2024	2025F	2026F	2027F
Operating	37.6	36.1	47.9	53.9
Pre-tax profit	25.7	29.4	37.7	41.7
Tax	(1.8)	(1.7)	(0.9)	(2.1)
Deprec. & amort.	12.4	14.0	14.3	14.6
Associates	0.0	0.0	0.0	0.0
Working capital changes	9.6	(5.6)	(3.2)	(0.3)
Non-cash items	(8.4)	0.0	0.0	0.0
Other operating cashflows	0.0	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)
Investment	0.0	0.0	0.0	0.0
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)
Proceeds from borrowings	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	26.0	35.3	42.3
Beginning cash & cash equivalent	63.1	68.8	94.8	130.1
Changes due to forex impact	(1.2)	0.0	0.0	0.0
Ending cash & cash equivalent	68.8	94.8	130.1	172.4

### Key Metrics

Year to 30 Sep (%)	2024	2025F	2026F	2027F
<b>Profitability</b>				
EBITDA margin	27.3	30.8	29.8	29.6
Pre-tax margin	20.8	23.6	23.0	23.6
Net margin	17.6	20.2	19.8	20.3
ROA	8.6	8.7	10.0	9.8
ROE	12.3	12.9	14.9	14.7
<b>Growth</b>				
Turnover	(2.8)	0.7	32.1	7.4
EBITDA	(15.1)	13.4	27.8	6.7
Pre-tax profit	(15.6)	14.4	28.3	10.5
Net profit	(3.9)	15.9	29.2	10.4
Net profit (adj.)	4.3	(4.2)	29.2	10.4
EPS	4.3	(4.2)	29.2	10.4
<b>Leverage</b>				
Debt to total capital	14.8	13.5	12.1	11.0
Debt to equity	18.9	17.0	15.1	13.5
Net debt/(cash) to equity	(18.5)	(30.8)	(43.5)	(55.2)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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