

COMPANY RESULTS

Marco Polo Marine (MPM SP)

FY24: Earnings Beat; Bright Prospects Ahead

MPM's FY24 core earnings of S\$26m (+4% yoy) were above our expectation by 9%, due to better-than-expected margins in the offshore upcycle. FY24 revenue dipped 3% yoy due to lower ship repair volumes as one dry dock was unavailable, partially offset by higher ship chartering revenue on elevated charter rates. With the upcoming 4th dry dock, higher charter rates and new CSOV contributions, we expect to see a 9-16% boost in FY25-27 earnings. Maintain BUY with a higher target price of S\$0.072.

FY24 RESULTS

Year to 30 Sep (S\$m)	2HFY24	2HFY23	yoy % chg	FY24	FY23	yoy % chg
Revenue	62.0	71.2	(12.9)	123.5	127.1	(2.8)
Gross profit	26.3	28.0	(6.1)	48.5	45.7	6.1
Gross margin (%)	42.4	39.3	+3.1ppt	39.3	36.0	+3.3ppt
PATMI	10.7	18.3	(41.5)	21.7	22.6	(4.0)
Core PATMI	15.2	17.1	(11.1)	26.3	25.2	4.4

Source: Marco Polo Marine, UOB Kay Hian

RESULTS

- Earnings beat; dividend maintained.** Marco Polo Marine (MPM) registered FY24 core earnings of S\$26m (+4% yoy), beating our forecast of S\$24m by 9%. This was mainly due to better-than-expected gross profit margin of 39.3% (+3ppt yoy), as a result of higher average charter rates in the offshore upcycle. Core profit excludes S\$3m unrealised exchange losses on receivables and S\$1.7m provision for liquidated damages arising from the commissioning service operation vessel (CSOV) delivery delay. MPM proposed a dividend of 0.1 S cents per share, similar to its inaugural dividend last year.
- Lower shipyard revenue, but volumes are returning.** Ship repair volumes were hurt by the CSOV construction, which occupied one of MPM's three dry docks. As a result, 2HFY24 shipyard revenue fell 22% yoy to S\$23m. Shipyard utilisation remained high at an average rate of 91% for FY24 (FY23: 85%), recording FY24 revenue of S\$52m (-16% yoy). We expect volume recovery in FY25 as all dry docks were fully available from Sep 24, while the 4th dry dock will enhance capacity by up to 25% to boost revenue.
- Ship chartering revenue rises on elevated charter rates.** For 2HFY24, ship chartering revenue dropped 6% yoy to S\$29m on a lower average fleet utilisation of 77%. This demonstrates a normalisation in operating levels (vs 2HFY23: >90%; 2HFY22: >80%). On a full-year basis, revenue from the segment rose 9% yoy to S\$72m on higher charter rates. We expect MPM's offshore support vessel (OSV) fleet to enjoy a 5-10% yoy increase in charter rates in FY25 and see revenue growth as demand for vessels remains strong.

KEY FINANCIALS

Year to 30 Sep (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	127	124	137	144	152
EBITDA	40	34	43	30	31
Operating profit	28	21	29	30	31
Net profit (rep./act.)	23	22	29	33	36
Net profit (adj.)	25	26	29	33	36
EPS (S\$ cents)	0.7	0.7	0.8	0.9	1.0
PE (x)	8.2	7.9	7.2	6.2	5.8
P/B (x)	1.2	1.1	1.0	0.9	0.8
EV/EBITDA (x)	4.1	4.8	3.7	5.4	5.1
Dividend yield (%)	1.8	1.8	3.6	3.6	3.6
Net margin (%)	17.8	17.6	20.8	23.1	23.6
Net debt/(cash) to equity (%)	(35.3)	(18.5)	(31.4)	(44.7)	(56.4)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	14.7	12.3	14.6	15.0	14.5
Consensus net profit	-	-	27	30	38
UOBKH/Consensus (x)	-	-	1.05	1.11	0.95

Source: Marco Polo Marine, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.055
Target Price	S\$0.072
Upside	+30.9%
(Previous TP)	S\$0.061

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):	206.5
Market cap (US\$m):	153.9
3-mth avg daily t'over (US\$m):	0.5

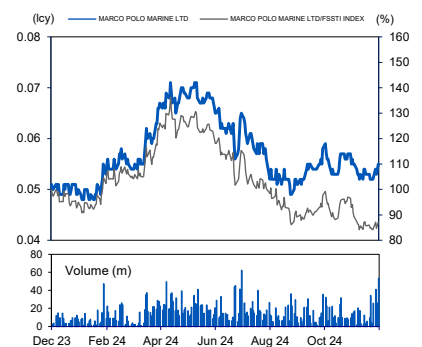
Price Performance (%)

52-week high/low	S\$0.072/S\$0.047			
1mth	3mth	6mth	1yr	YTD
(3.5)	5.8	(17.9)	10.0	7.8

Major Shareholders

	%
Lee Family	22.6
Apricot Capital	16.5
Penguin International	8.1
FY24 NAV/Share (S\$)	0.06
FY24 Net Cash/Share (S\$)	0.02

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **CSOV expected to be completed by end-Jan 25.** MPM shared that its CSOV delivery is on schedule, with targeted completion by end-Jan 25. The delay was due to a shortage of workers, which has since improved with new hires and higher salaries offered. While the CSOV may face teething problems as it first sets sail to Taiwan, we expect them to smoothen by FY26. Utilisation is expected to be strong at close to 95%, with steady revenue recognition as CSOVs are equipped to work in a monsoon environment.
- **New dry dock to contribute from 2QFY25.** MPM's new 240-metre-long Dry Dock 4 commenced construction in May 24, and is projected to be completed by Feb 25. Armed with new larger capacity by up to 25%, we expect MPM to take on more high-margin ship repair activities from Mar 25 and boost FY25 revenue by 10-15%.
- **Healthy net cash position provides buffer.** MPM has shown excellent cash management, with a strong net cash position of S\$36m as of 30 Sep 24, translating to S\$0.009/share, to provide a comfortable level of support for our valuation.

EARNINGS REVISION/RISK

- **We increase our FY25/26 gross margins from around 38% to 40%** due to the high charter rates holding firm, and increased CSOV contributions due to higher-than-expected utilisation rate. Note that CSOV revenue is included at the group level. Overall, we lift our FY25/26 earnings forecasts by 11%/13% while adding FY27 forecast.

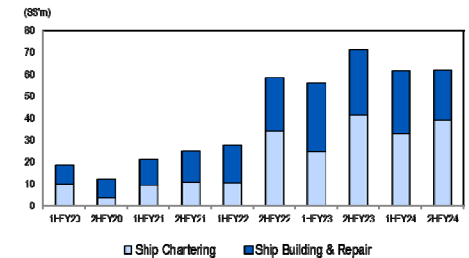
VALUATION/RECOMMENDATION

- **Maintain BUY with a higher target price of S\$0.072 (S\$0.061 previously)**, as a result of higher EPS explained above. This is pegged to 9.5x FY25F PE, based on +1SD above its historical three-year PE range. We roll over our valuation base year to FY25.

SHARE PRICE CATALYST

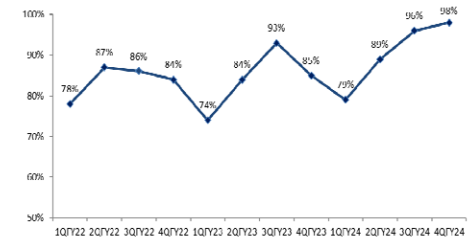
- Higher-than-expected ship charter rates and vessel utilisation.
- Award of new ship chartering contracts.
- Higher value of repair projects during the year.

SEGMENTAL CONTRIBUTION (1HFY20-2HFY24)



Source: Marco Polo Marine, UOB Kay Hian

SHIPYARD UTILISATION RATES (1QFY22-4QFY24)



Source: Marco Polo Marine, UOB Kay Hian

PROFIT & LOSS

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Net turnover	123.5	137.4	144.0	152.3
EBITDA	33.8	43.1	29.8	31.3
Deprec. & amort.	12.4	14.0	-	-
EBIT	21.4	29.1	29.8	31.3
Associate contributions	0.2	2.7	5.2	5.7
Net interest income/(expense)	0.9	1.7	3.6	4.8
Pre-tax profit	25.7	33.4	38.5	41.8
Tax	(1.8)	(2.3)	(2.7)	(2.9)
Minorities	(2.2)	(2.5)	(2.6)	(2.9)
Net profit	21.7	28.6	33.2	35.9
Net profit (adj.)	26.3	28.6	33.2	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	100.1	139.5	182.9
Other current assets	42.9	52.5	54.3	56.6
Total assets	276.9	309.4	344.4	383.3
ST debt	20.4	20.4	20.4	20.4
Other current liabilities	32.6	36.6	39.4	41.7
LT debt	14.4	14.4	14.4	14.4
Other LT liabilities	8.5	10.5	16.1	23.1
Shareholders' equity	183.6	208.4	234.2	262.6
Minority interest	17.4	19.0	20.0	21.1
Total liabilities & equity	276.9	309.4	344.4	383.3

CASH FLOW

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Operating	37.6	39.3	51.4	54.1
Pre-tax profit	25.7	33.4	38.5	41.8
Tax	(1.8)	(1.1)	(1.6)	(2.3)
Deprec. & amort.	12.4	14.0	14.3	14.6
Working capital changes	9.6	(7.0)	0.2	(0.1)
Non-cash items	(8.4)	-	-	-
Investing	(56.0)	(5.5)	(4.4)	(3.2)
Capex (growth)	(69.8)	(8.0)	(8.0)	(8.0)
Proceeds from sale of assets	0.0	-	-	-
Others	13.9	2.5	3.6	4.8
Financing	25.2	(4.6)	(7.5)	(7.5)
Dividend payments	(3.8)	(3.8)	(7.5)	(7.5)
Issue of shares	0.0	-	-	-
Loan repayment	31.0	-	-	-
Others/interest paid	(2.0)	(0.9)	-	-
Net cash inflow (outflow)	6.9	29.2	39.5	43.4
Beginning cash & cash equivalent	63.1	68.8	100.2	139.7
Changes due to forex impact	(1.2)	2.2	-	-
Ending cash & cash equivalent	68.8	100.2	139.7	183.1

KEY METRICS

Year to 30 Sep (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	27.3	31.4	20.7	20.5
Pre-tax margin	20.8	24.3	26.8	27.4
Net margin	17.6	20.8	23.1	23.6
ROA	8.6	9.7	10.2	9.9
ROE	12.3	14.6	15.0	14.5
Growth				
Turnover	(2.8)	11.2	4.9	5.8
EBITDA	(15.1)	27.6	(30.9)	5.0
Pre-tax profit	(15.6)	30.0	15.4	8.4
Net profit	(3.9)	31.6	16.4	8.1
Net profit (adj.)	4.3	8.8	16.4	8.1
EPS	4.3	8.8	16.4	8.1
Leverage				
Debt to total capital	14.8	13.3	12.0	10.9
Debt to equity	18.9	16.7	14.9	13.2
Net debt/(cash) to equity	(18.5)	(31.4)	(44.7)	(56.4)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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