



MARCO POLO MARINE LIMITED 1H2022 RESULTS BRIEFING

MAY 2022





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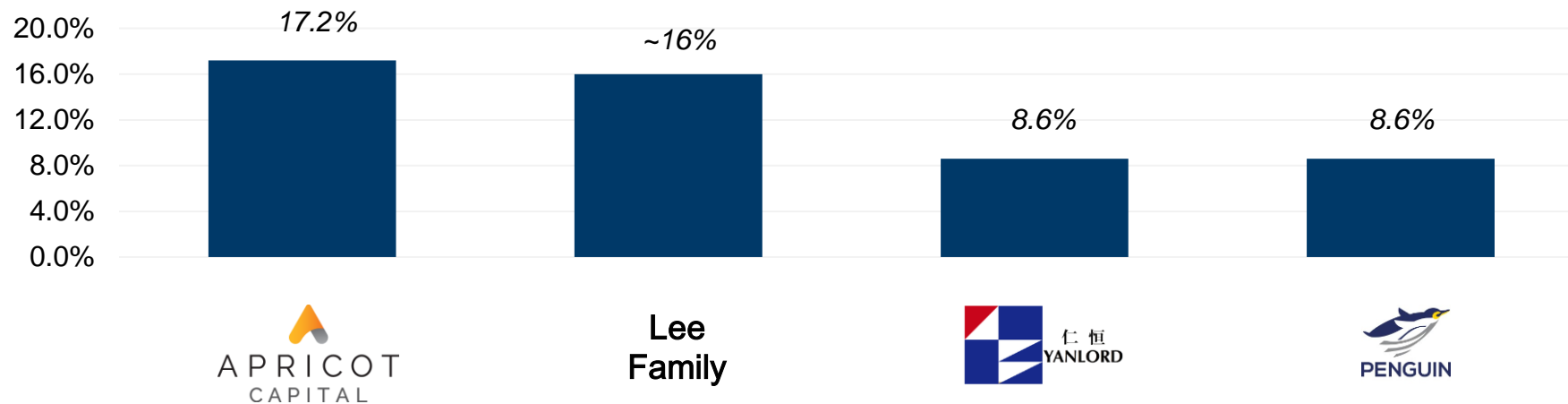
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Corporate Overview

Regional integrated marine logistics company which principally engages in ship chartering and shipyard businesses



Major Shareholders



Stock Data



Complementary Business Segments



Ship Chartering

MAINTENANCE WORK VESSELS

- 13 OSVs and 2 Maintenance Work vessels (MWV)s (average age: 4-13 years)

OSVs (AHTs & AHTSs)

- 24 Tugs and Barges (average age: 5-12 years)

TUGS & BARGES

- Indonesian presence through PT BBR Tbk, listed on IDX



Ship Building & Repair

SHIPBUILDING

- One of the larger shipyards in Indonesia

CONVERSION & OUTFITTING

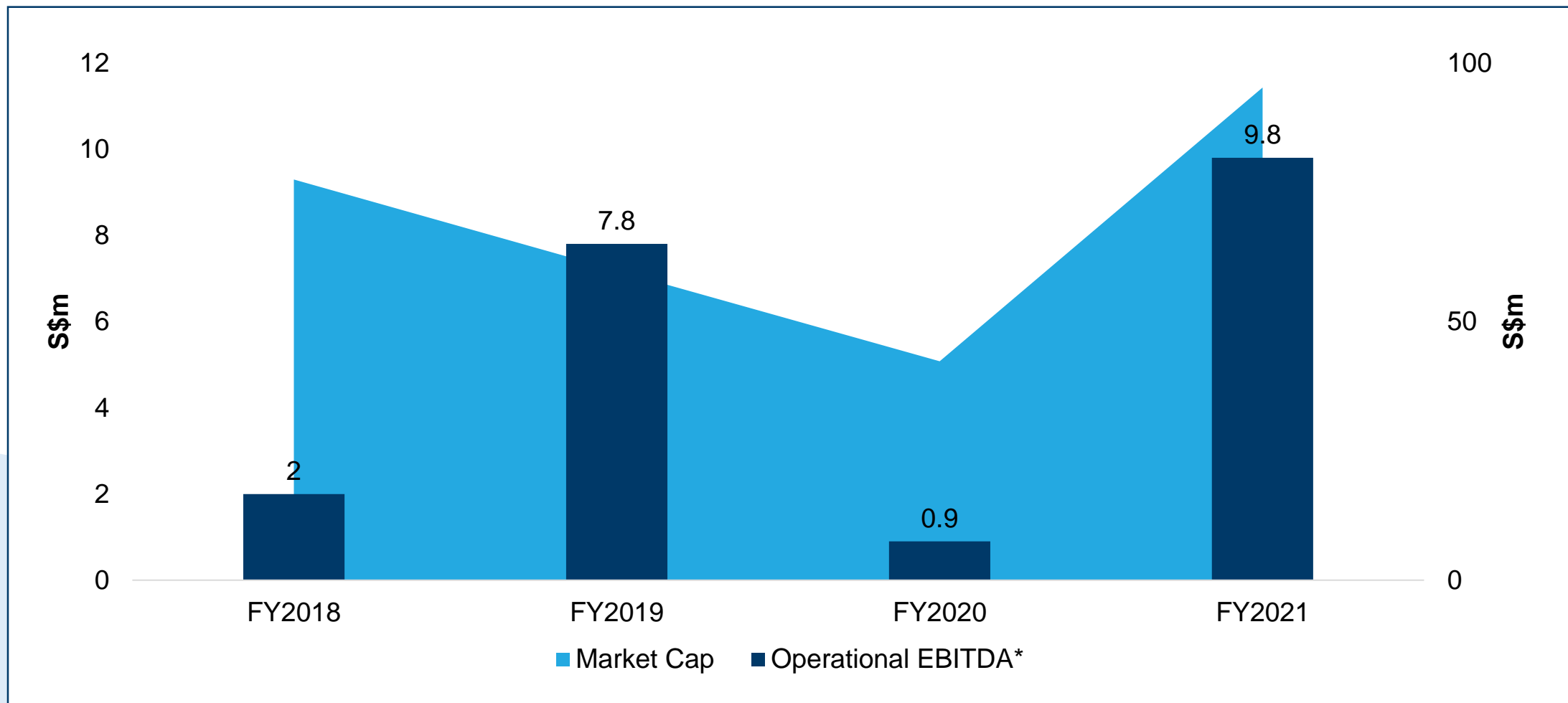
- Ship building, conversion and outfitting

REPAIR & MAINTENANCE

- Green ship recycling
- Offshore fabrication works
- Ship repair and maintenance (more than 1,000 repair projects completed in last 10 years)



Market Value Increase – A Reflection Of Financial Performance Improvement



Market Analysts Affirmed The Valuation

UOB Kay Hian
Regional Morning Notes Thursday, 09 December 2021

COMPANY RESULTS
Marco Polo Marine (MPM SP)
FY21: Green Shoots Appearing On Tighter Utilisation; Primed For Entry
FY21 results were a strong beat due to better-than-expected fleet utilisation rates, as well as shipbuilding and repair operations. Channel checks suggest vessel utilisation has been improving, helped by minimal newbuilds. We like MPM for its lean operations following the completion of its corporate restructuring efforts, and believe the company is primed to benefit from positive operating leverage. Maintain BUY with target price slightly raised to S\$0.038.

FY21 RESULTS

Year to 30 Sep (\$m)	FY21	FY20	yoY % chg
Revenue	46.1	30.8	+49.5
Gross profit	12.0	4.4	+171
Gross margin (%)	26.1	14.3	11.7ppt
Net profit (loss)	14.8	(9.3)	n.m.
Adjusted net profit / (loss)	2.0	(9.9)	n.m.
Adjusted net margin (%)	6.5	n.m.	n.m.

Source: Marco Polo Marine, Bloomberg, UOB Kay Hian

RESULTS

- Swung into positive territory in FY21.** Marco Polo Marine (MPM) reported a turnaround in adjusted FY21 net profit to S\$3.0m from loss of S\$8.9m in FY20. The positive set of financials came on the back of higher revenue of S\$46.1m (+49.5% yoY), attributed to the commencement of two new construction projects under its shipbuilding division (+51%) and increased ship repair jobs, as well as higher average utilisation rate for both tugboats and barges and offshore support vessels (OSV), which resulted in the 46% yoY growth in the ship chartering operations division. Overall gross margin spiked to 26.1% from 14.3% in FY20. The positive set of results is considered in line with industry expert Clarksons' expectations, suggesting that vessel charter rates have rationalised, helped by minimal newbuilds and more vessels on lay up.
- Diversification efforts pulling through.** The shift away from supporting the oil & gas industry towards the renewable energy segment has been successful for MPM. Currently, two of MPM's charter fleet of 11 OSVs now supports offshore windfarm projects in the Asia Pacific region. The diversification provides a new utilisation base for MPM's vessels, particularly on the growing demand specifically from the offshore wind energy industry in Asia, which is in its nascent stage where structures are installed in shallow waters with depth of up to 50-60 metres. This presents a tremendous opportunity for MPM, whose fleet specialises in support in those depth regions.

KEY FINANCIALS

Year to 30 Sep (\$m)	2020	2021	2022F	2023F	2024F
Net turnover	30.8	46.1	49.9	53.7	55.8
EBITDA	(0.1)	10.0	12.9	13.7	14.1
Operating profit	(7.1)	3.4	6.2	7.0	7.3
Net profit (rep. fact)	(9.2)	14.8	6.0	6.8	7.1
Net profit (adj.)	(9.2)	14.8	6.0	6.8	7.1
EPS (\$ cents)	(0.3)	0.4	0.2	0.2	0.2
PE (x)	n.m.	6.7	16.4	14.6	14.0
P/B (x)	1.0	0.9	0.8	0.8	0.7
EV/EBITDA (x)	n.m.	8.2	6.4	6.0	5.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(29.9)	32.3	12.1	12.6	12.7
Net debt/cash to equity (%)	(13.0)	(13.8)	(16.7)	(27.3)	(34.8)
Interest cover (x)	n.a.	12.1	n.a.	n.a.	n.a.
ROE (%)	n.a.	13.8	5.1	5.4	5.4
Consensus net profit	-	-	4.3	6.2	-
UOBKHCensus (x)	-	-	1.40	1.09	-

Source: Marco Polo Marine, Bloomberg, UOB Kay Hian

Refer to last page for important disclosures.

BUY with TP S\$0.038
UOBKH

RHB Small Cap Asian Research
Singapore Company Update
Energy & Petrochemicals | Oil & Gas Services
29 November 2021
Marco Polo Marine (MPM SP)
Towards a Greener Future; Keep BUY

Buy (Maintained)
Target Price (Return): S\$0.04 (+33%)
Price Market Cap: S\$0.03 (USD74.5m)
ESG score: 3.00 (out of 4)
Avg Daily Turnover (SGDUSD): 0.21m/0.15m

Analyst
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Share Performance (%)

YTD	1m	3m	6m	12m	
Absolute	123.1	3.6	11.5	31.8	123.1
Relative	111.8	4.8	9.7	31.2	112.3
52-wk Price low/high (SGD)	0.01 – 0.03				

Price Chart
Price Close (SGD) vs. Relative to S&P500 (SGD)

Overall ESG Score: 3.00 (out of 4)
E: GOOD
S: GOOD
G: GOOD

Scrap from all non-renewable materials such as steel is collected, weighed and sold for recycling purposes wherever possible. In 2020, MPM recycled 50% (2019: 30% and 2018: 24%) of total steel used. It seeks to continue reducing the strain on the environment by regulatory reviewing and strengthening recycling practices.

MPM adopts fair employment practices, and treats all employees equally. It complies with local labour regulations across its geographic operations – including minimum wage laws, where such laws exist. In 2020, both male and female entry-level employees at the Batam shipyard operations were paid the local minimum wage amounting to US\$4.28m.

MPM has aligned its governance policies and practices with the principles and guidelines set out in the Code of Corporate Governance issued by the Monetary Authority of Singapore on 6 Aug 2018, and has formalised its Enterprise Risk Management (ERM) process starting from FY20 Sep 2019.

Note: Small cap stocks are defined as companies with a market capitalisation of less than USD10m.

Forecast and Valuation

	Sep-19	Sep-20	Sep-21F	Sep-22F	Sep-23F
Total turnover (\$20m)	30	31	46	55	64
Recurring net profit (\$20m)	(6)	(9)	3	4	7
Recurring net profit growth (%)	(102.3)	138.4	-	49.4	83.4
Recurring P/E (x)	na	na	48.85	27.35	14.92
P/B (x)	0.9	1.0	0.9	0.9	0.8
P/CV (x)	60.01	na	44.14	27.35	14.92
Dividend Yield (%)	na	na	na	na	na
EV/EBITDA (x)	(2.39)	na	1.02	0.41	(0.64)
Return on average equity (%)	(5.1)	(8.0)	15.8	3.2	5.6
Net debt to equity (%)	net debt	net debt	net debt	net debt	net debt

Source: Company data, RHB

See important disclosures at the end of this report

BUY with TP S\$0.04
RHB

SAC CAPITAL
Marco Polo Marine Ltd
4 January 2022

BUY
Target Price: S\$0.032 (Initiation)

Tides turning in favor of Marco Polo
Marco Polo Marine Ltd primarily engages in ship chartering and shipyard businesses. It has a fleet of 37 OSVs, tugboats and barges for charter. The Group does ship repair and shipbuilding works at its 34 ha Batam shipyard. Revenue from Ship chartering/Shipyard segments are split 44%/56% each.

Promising potential in Taiwan windfarm market. MPM will be increasing the no. of vessels chartered to Taiwan from 2 to 4 end 2022 as Taiwan ramps up its offshore wind capacity. Taiwan is aiming for 15GW by 2035. Local content requirements (i.e. Vessels' age < 12 years old, Ban of China-built vessels) are raising the barriers to entry for competitors. Reflagging exercise will give the Group an edge to securing more contracts as well. Windfarm projects offer 15-20% price premium to O&G projects.

Enjoying higher charter and utilization rate. Brent crude oil is up 54.8% YTD hovering above US\$70/barrel as at 28 Dec. Oil majors (i.e. TotalEnergies, ExxonMobil etc) have preliminary plans to increase CAPEX by 8-25% to capitalize on the current robust price environment. On the other hand, competing interests for OSVs from offshore renewables and decommissioning projects are snapping up available vessels in the market. With ~50% of MPM's vessels due for charter renewal in H22, further upside in charter rates will help with revenue growth and margin expansion.

Boosted capacity for growing ship repair works. Expansion of the Group's dry dock 1 is 54% done and due for completion by Jan 22. This will contribute an additional ~20% capacity which allows the Group to take on additional works. MPM continues to receive more installation works for ballast water management for the next 2 years as deadline approaches. Utilization rate of its 3 dry docks is ~86%.

We initiate at a target price of S\$0.032, pegging it to 8.0x FY22E EV/EBITDA, median for the offshore sector and trading closely to that of its closest comparable, ASI Marine (8.0x). The stock is currently trading at forward PE of 23.2x and 17.3x for FY22E and FY23E respectively.

Risks: Omicron variant curtailing oil demand

Key Financials

Yr ended 30 Sept	FY2019A	FY2020A	FY2021A	FY2022E	FY2023E
Revenue (\$5m)	30.2	30.8	46.1	55.3	63.6
EBIT (\$5m)	1.7	-6.2	15.2	4.4	5.8
Net profit (\$5m)	-3.9	-9.2	14.8	4.1	5.5
Basic EPS (\$ cents)	-0.1	-0.3	0.4	0.1	0.2
Dividend per share (\$ cents)	-	-	-	-	-
Net cash / (debt)	13.6	13.6	16.1	24.2	32.9

Valuation

	FY2019A	FY2020A	FY2021A	FY2022E	FY2023E
EBIT margin (%)	5.7	-19.9	33.0	7.9	9.1
ROIC (%)	-9.7	-10.7	1.8	4.2	5.8
EV/EBITDA (x)	8.9	70.0	3.6	6.3	5.0
P/E (x)	-24.6	-10.3	6.4	23.1	17.3
Dividend yield (%)	-	-	-	-	-

Analyst:
Lim Shu Rong

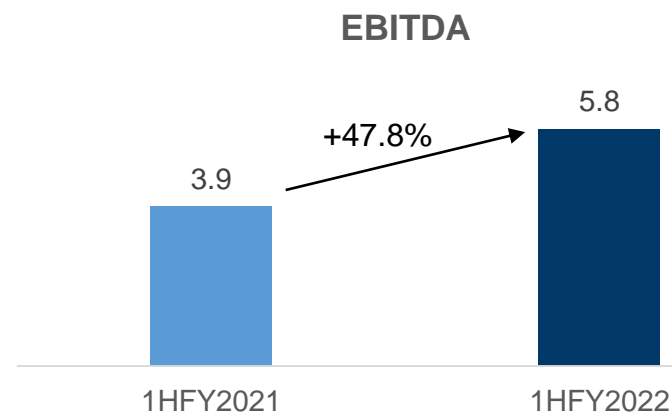
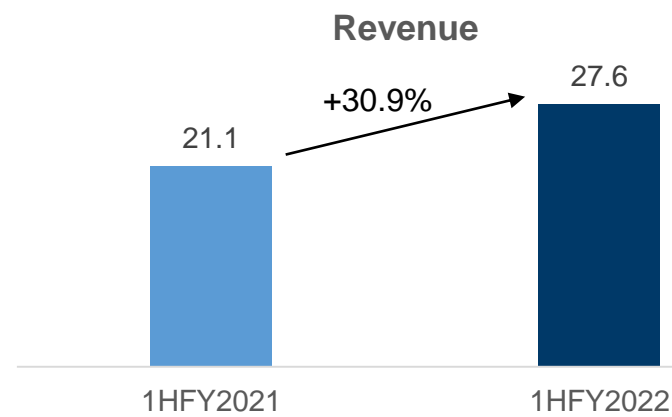
BUY with TP S\$0.032
SAC CAPITAL



1HFY2022 Highlights

1HFY2022 Income Highlights

\$ MILLION	1HFY2022	1HFY2021	Y-o-Y % change
Revenue	27.6	21.1	30.9%
Gross Profit	8.2	5.0	62.7%
Gross Profit Margin	29.6%	23.8%	
EBITDA*	5.8	3.9	47.8%
EBITDA Margin	20.4%	17.7%	
Net Profit	10.8	5.9	81.8%
Adjusted Net Profit**	1.2	(0.3)	



*Excludes foreign exchange losses, reversal of impairment loss on receivables, one-off gains arising from the remeasurement of previously held equity interest, bargain purchase and acquisition of debt

** Excludes one off gains from reversal of impairment loss on receivables, one-off gains arising from the remeasurement of previously held equity interest, bargain purchase and acquisition of debt

Strong Financial Position; Robust Cashflow Generation

	31 Mar 2022	30 Sep 2021	Comments
Net Assets Value	S\$137.6m	S\$114.9m	S\$0.039/share as at end of 31 March 2022
Cash and cash equivalents	S\$31.6m	S\$20.3m	
Less Borrowings	(S\$3.7m)	(S\$4.2m)	
Net Cash	S\$27.9m	S\$16.1m	~S\$0.0079/share as at end of 31 Mar 2022
Net Cash Generated From Operating Activities	S\$4.6m	S\$0.02m	
Net Cash Generated From Investing Activities	S\$5.6m	(S\$0.7m)	
Net Cash Generated From Financing Activities	S\$1.1m	S\$0.3m	



Segmental Performance & Outlook

Shipyard Segment Continues To Shine



Ship Repair Activities Jump In 1HFY2022

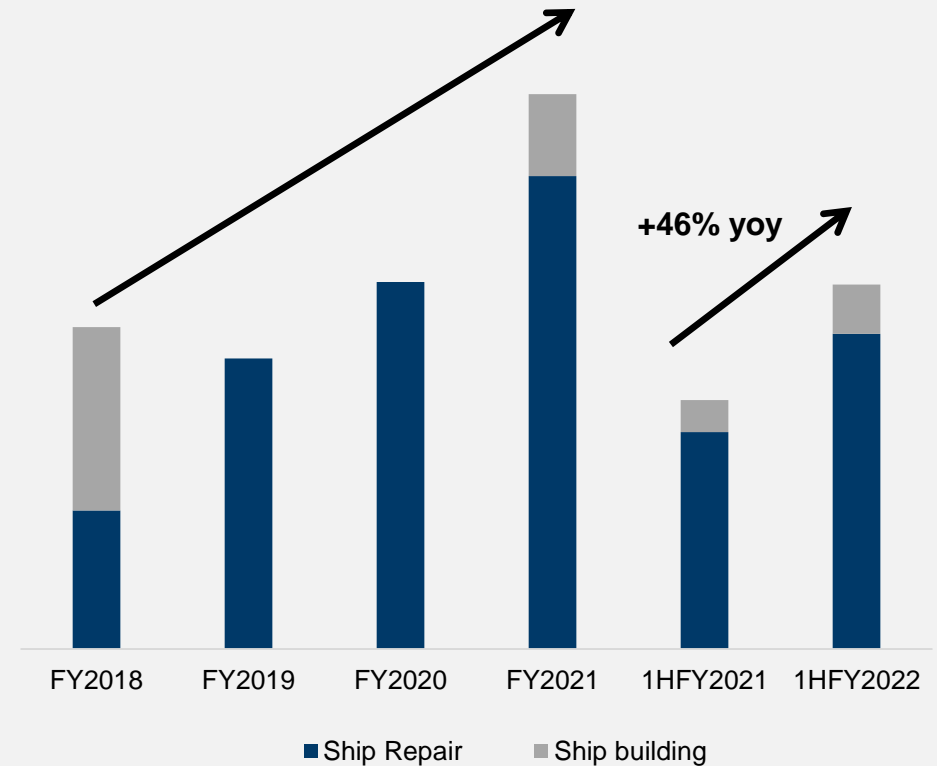
- In Feb 2022 (end 2QFY2022), the Group completed the extension of dry dock 1, boosting ship repair capacity by up to 20%
→ Expected to contribute positively to the Group's performance for rest of FY2022
- In talks with a few potential parties for green ship recycling



Shipbuilding Activities Grew Y-o-Y In 1HFY2022

- Continued construction of the smart-fish farms

Shipyard revenue S\$m



Shipyard was operating at average utilization rate of 82% in 1HFY2022

(1QFY2022: 78%)

(2QFY2022: 87%)

What's Next For Marco Polo Marine Shipyard?



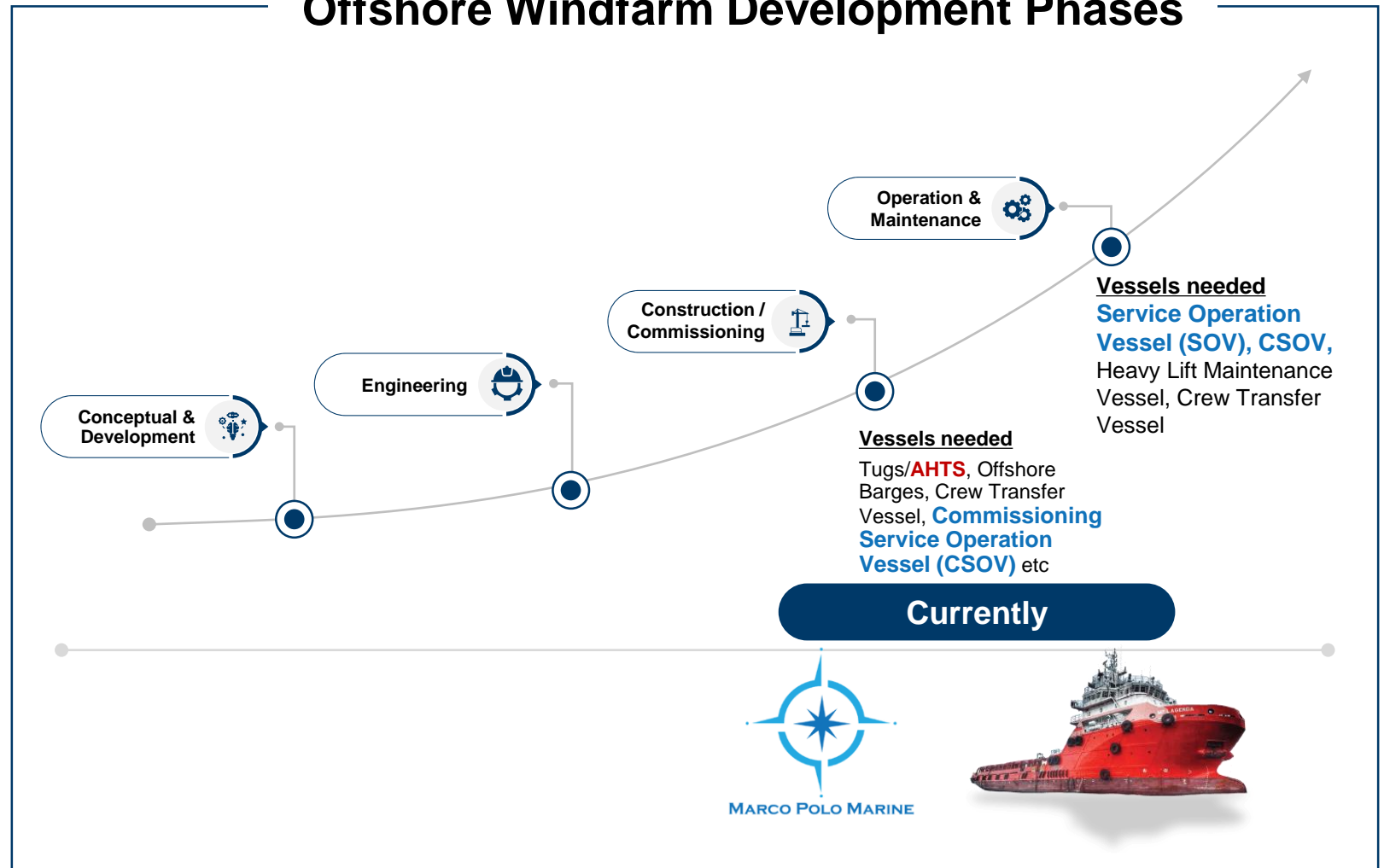
Offshore Windfarm



Nearly **40%** of the Group's currently utilised vessels are helping to support the construction of offshore windfarm projects.

Although the specifications are different from those used in oil and gas exploration projects, vessels can be deployed to support certain parts of the wind farm installation and construction, without additional capital expenditure.

Offshore Windfarm Development Phases





Commissioning Service Operation Vessel (CSOV)

- Vessels are specially designed to support **commissioning work during construction** of offshore windfarms + **maintenance operations**
- Built for purpose



Service Operation Vessel (SOV)

- Mother ship for wind turbine technicians performing maintenance and service work at offshore wind farms, including the provision of accommodation for crew on board
- Built for purpose

What Is Our Competitive Advantage?

Co-developed with Seatech Solutions International (S) Pte. Ltd



Reduce carbon emissions by up to 15-20%.

Design with green features including hybrid battery-based energy storage system

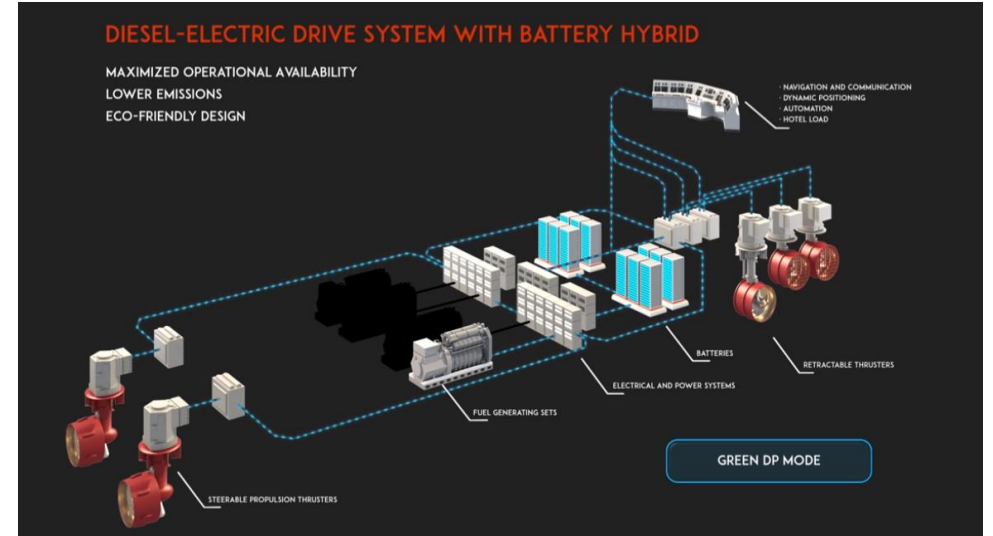


First offshore wind vessel to be droned equipped for global windfarm market.

Equipped with the drones that Marco Polo Marine is currently co-developing with F-drones → to support supply and logistic needs of offshore wind farm installations → more than 90% cost savings and 4x faster than incumbent method



User centric vessel design. Marco Polo Marine taps into its expertise as both an owner and operator of offshore windfarm vessels when designing the CSOV and OSV.



Ship Chartering Revenue



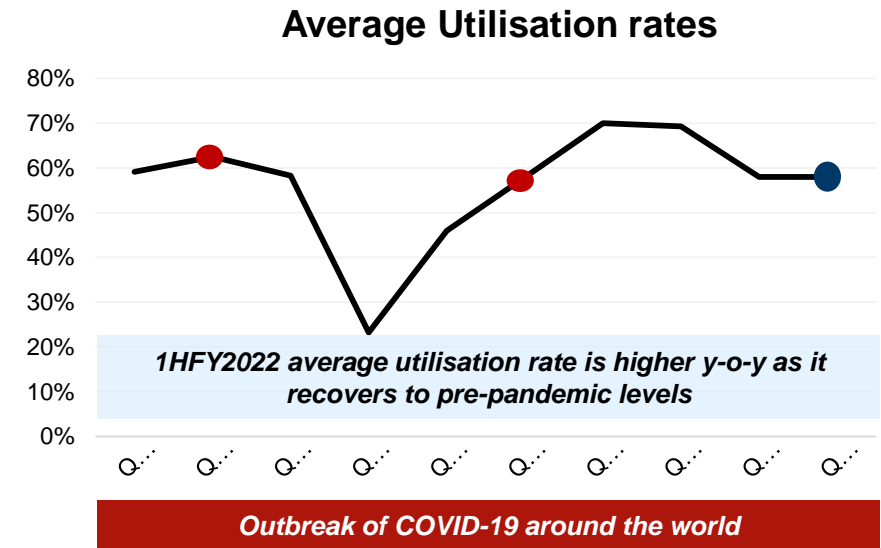
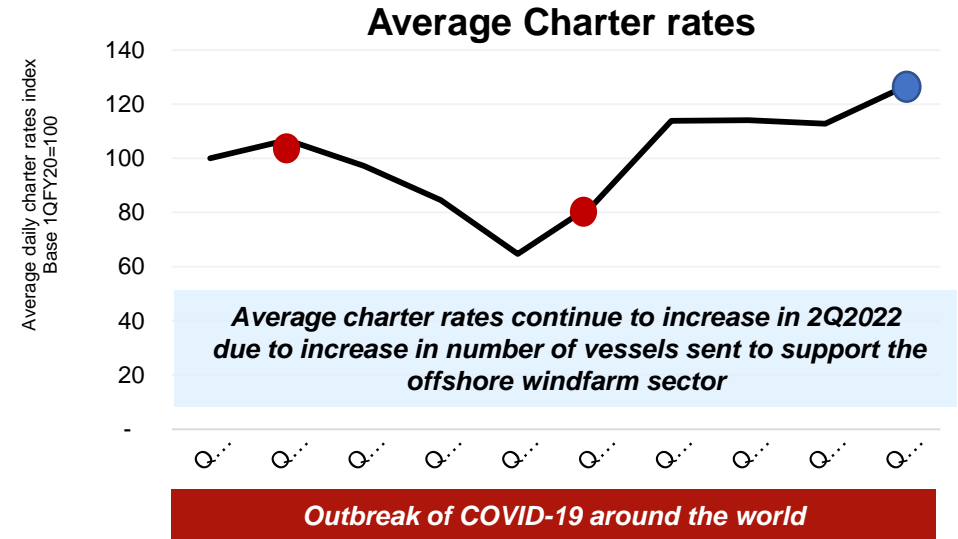
1HFY2022 Utilization Rate Remain Robust

1HFY2022 Utilisation rate recovers to pre-pandemic levels and is higher y-o-y driven by strong demand from both O&G and offshore windfarm sector.



1HFY2022 Average Charter Rates Trends Higher

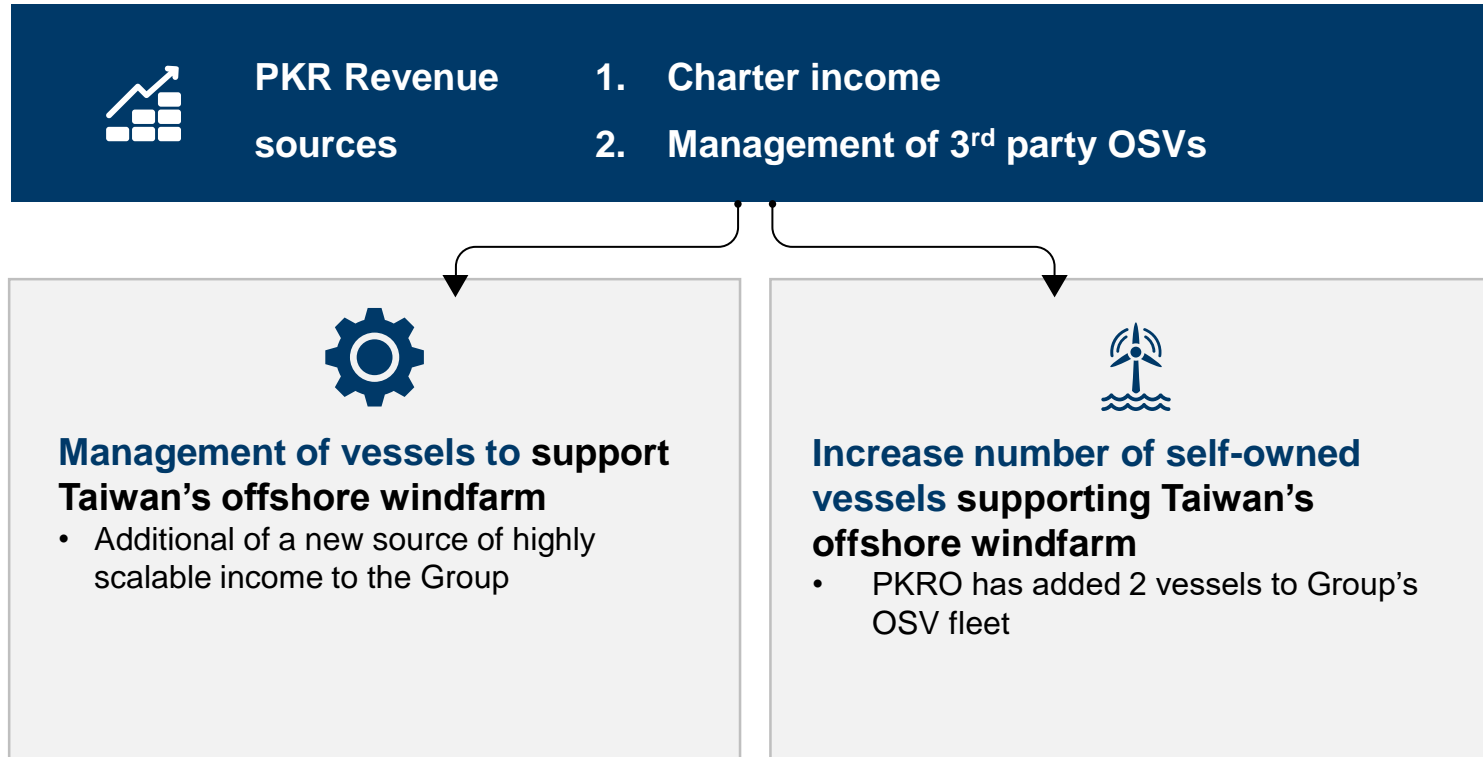
Average charter rates continue to trend higher in 1HFY2022 on stronger demand as well as the reflagging of one to service the Taiwan Offshore Windfarm market.



Recent Updates

Completion of acquisition of PKR offshore

49% owned JV acquisition of Taiwan based PKR offshore (part of POSH Kerry Renewables JV)



Marco Polo Marine's current OSV fleet



About 40% or 5 of the Group's 13 OSVs are chartered out for offshore windfarm.

Recent Updates

Completion of Rights Issue by PT BBR



70.73%



Offshore Marine Division

- 3 OSVs



Tugs & Barges Division

- 4.5 sets of Tugs & Barges
- 1 Self-propelled barge

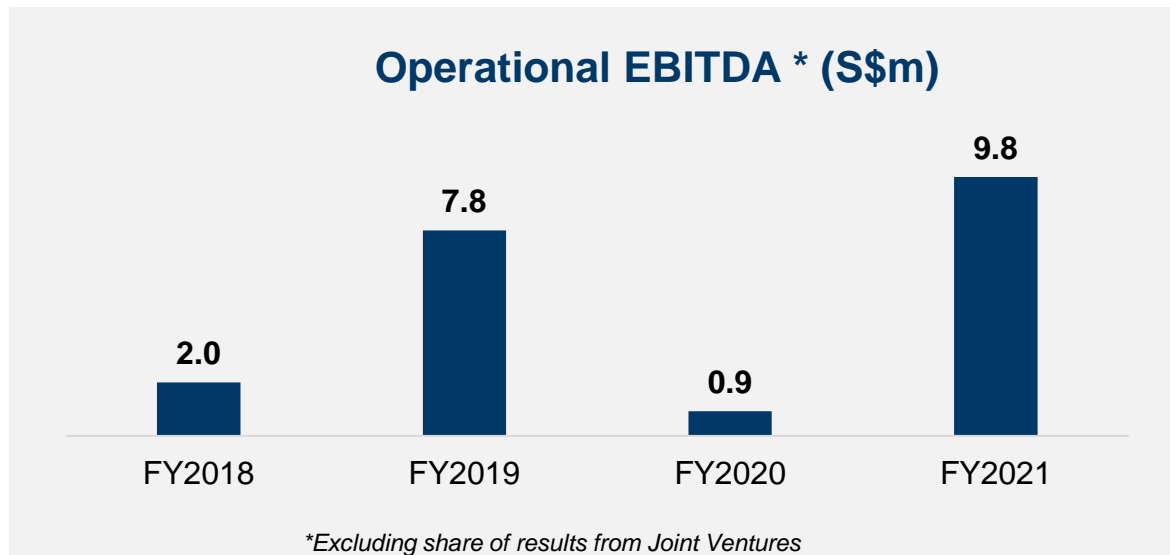
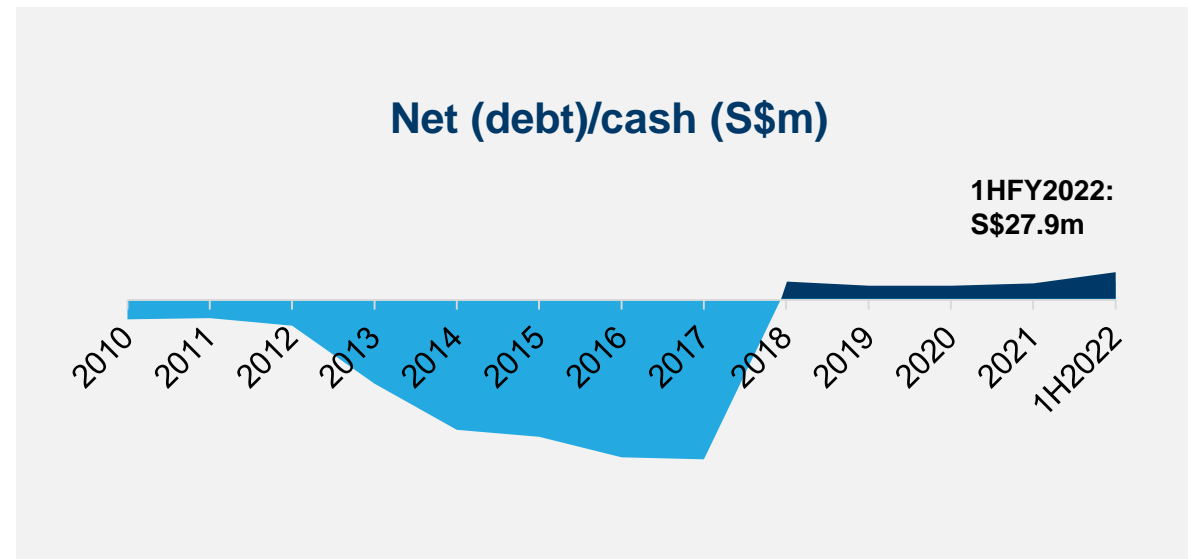
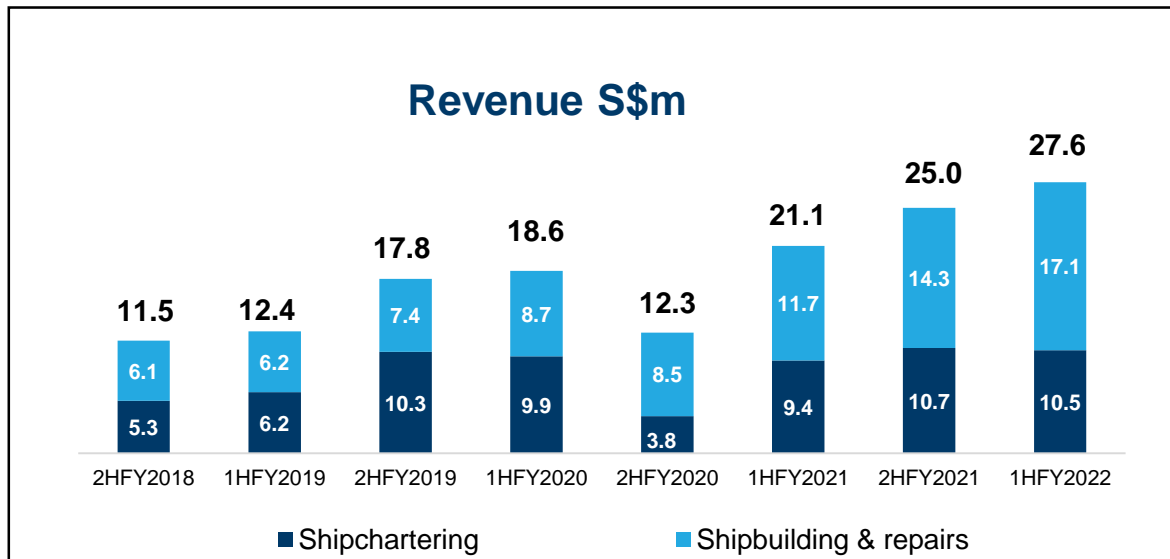




PT BBR will strengthen MPM's foothold in Indonesia



PT BBR expected to contribute positively to the Group going forward. Following a debt restructuring exercise in 2020, most of PT BBR's assets has been written down; PT BBR has generated positive operating cashflow over last 3 years

Financial Overview



- 
Strong Earnings Turnaround
 - The Group recorded the highest operational EBITDA in FY2021, since the debt restructuring in 2017
- 
Positive Outlook
 - Higher demand from both the O&G and offshore windfarm segment has driven an increase in utilization rate of vessels chartered out
 - The Group is cautiously optimistic of higher charter rates amidst continued strong demand for vessels and increased vessel allocation serving the offshore windfarm sector
- 
Robust Net Cash Position
 - S\$27.9m as of 31 Mar 2022

Summary and Investment Merits



Attractive Valuation

- 0.7x P/B, backed primarily by hard assets including cash and PPE
- The Group owns a shipyard in Batam (occupying more than 34 ha of land area) as well as 13 OSVs, 2 MWVs and 24 tug and barges. In FY2019, the Group successfully sold 1.5 OSV and recorded a gain of S\$4.5 million, suggesting deep value in Marco Polo's books.



Strong net cash position

- As at 31 Mar 22, the Group has a net cash position of S\$27.9m



Turnaround efforts bear fruit as the Group turns EBITDA positive and net profitable in FY2021

- Following the debt restructuring in FY2017, the Group has emerged from the crisis stronger than before, with a focus on cost and cashflow management.
- In FY2021, the Group recorded the highest operational EBITDA since the debt restructuring in 2017



Pivoting to renewables to increase utilization and boost profitability

- The entry into new target markets will diversify the Group's customer base from the cyclical O&G sector, increase the utilization of its existing assets, and boost profitability
- About 40% or 5 of the Group's 13 OSVs are chartered out for offshore windfarm.



Design, Build, Owner and Operator business model to set Group apart in ancillary support of offshore windfarm sector

- As the operator, designer and owners of vessels, Marco Polo Marine is able to set itself apart from its competitors, by offering bespoke offerings catered to the ship owner and operator of vessels when competing for projects supporting the offshore windfarm sector.



THANK YOU



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