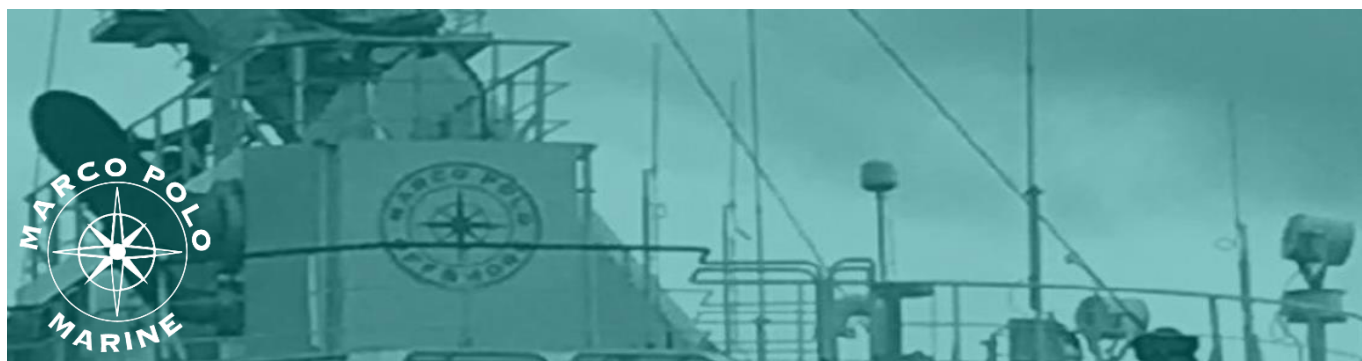


# 10 in 10 – Marco Polo Marine (SGX Code: **5LY**)

10 Questions in 10 Minutes with SGX-listed companies



## 10 Questions for Marco Polo Marine

### Company Overview

Established in 1991, Marco Polo Marine is an integrated marine logistics company which principally engages in shipping and shipyard businesses. It has two business segments – 1) Shipping Division relating to chartering of Offshore Supply Vessels (OSV), tugboats and charters, and 2) Shipyard Division relating to ship building and provision of ship maintenance, repair, outfitting and conversion services.

[Link to StockFacts company page](#)

SGX Code: 5LY	BBG: MPM SP	RIC: MAPM.SI
Market cap on 12 Jul (S\$m)	88.1	
Price on 12 Jul (S\$)	0.025	
52 wk high/low (S\$)	0.031 – 0.011	
12m ADTV (S\$)	365,288	
Shares Outstanding (m)	3,522.6	
Float	48.5%	
P/E (LTM)	N.A.	
P/B (LTM)	0.8	
Dividend Yield	N.A.	

Source: Bloomberg (12 Jul 2021)

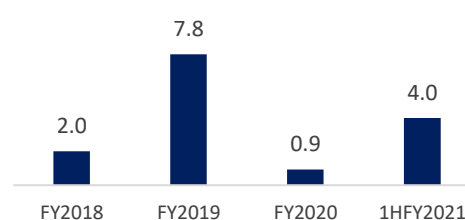
### 1. Could you elaborate on Marco Polo Marine's business segments and focus?

- Marco Polo Marine operates two main business segments:
  - Ship Building & Repair** – Provides ship building and repair activities from our shipyard at Batam, Indonesia. Over the years, we have expanded our ship repair services to include merchant vessels such as containerships aside from serving just the Oil & Gas (O&G) sector vessels.
  - Ship Chartering** – Involves chartering of vessels to service the O&G and renewables (specifically the offshore windfarm) sectors, and the chartering of Tugs & Barges to service mainly the construction sector in Singapore. We currently own 11 OSVs, 2 Maintenance Work Vessels (MWV) and 24 Tugs & Barges.

### 2. Describe the Group's financial performance over the past few years. What were some drivers for the turnaround performance in 1HFY2021?

- Following our debt restructuring in FY2017, the Group was given a clean slate, maintaining a strong net cash position and a strong focus on cost and cashflow management which has helped the Group narrow losses and achieved positive operational EBITDA.
- In 1HFY2021, the Group reported an 88% y-o-y surge in operational EBITDA to S\$4.0 million on the back of higher revenue and margin expansion. Gross profit margin increased to 24% in 1HFY2021 from 18% in 1HFY2020 mainly due to the absence of one-off reactivation costs incurred for our fleet of offshore vessels during the current period.

#### Operational EBITDA\* (S\$Mil)



\*Excluding share of results from Joint Ventures

### 3. The Group recently announced the increase in stake in one of your Indonesia listed entity PT BBR Tbk. Could you elaborate on this acquisition?

- Following a debt restructuring and proposed rights issue, PT BBR will start with a clean slate (similar to Marco Polo Marine back in 2018) with no debt except for 1 vessel loan. Management views PT BBR as fundamentally strong, having generated positive operating cashflows over the last 3 years (US\$1.1m to US\$3.3m), and supported tangible assets including 3 OSVs, 4.5 sets of Tugs & Barges, and 1 self-propelled barge.
- Following the proposed rights issue, Marco Polo Marine is expected to hold up to 72% stake in PT BBR, providing the Group with a platform to establish our presence in Indonesia under the relevant Indonesian cabotage laws.

### 4. Who are some of your key customers and what are your focus markets?

- Some of our customers in our Shipyard segment include shipbuilding, repairs and maintenance for the O&G sector as well as merchant vessels such as tankers and containerships, as well as vessels servicing the offshore windfarms.
- In our Ship chartering business, we charter vessels supporting the O&G and renewables sector, the construction and installation of offshore windfarms, and our Tugs & Barges are also chartered to service the construction sector in Singapore in transporting raw materials.
- Aside from Singapore, our geographical markets include Southeast Asia such as Malaysia, Indonesia, Vietnam, Myanmar, India, Bangladesh, Taiwan and Thailand.

#### *Clients that have been served by Marco Polo Marine*

##### Shipyard Division (Selected Clients)



##### Ship Chartering (Selected Direct and End-Charterers)



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### 5. Who are some of your peers and how do you differentiate from them?

- After the O&G crisis in 2017, several of our peers have consolidated or been taken private. Marco Polo Marine has been fortunate to have undergone a debt restructuring and received financial support from 9 investors including Apricot Capital, Yanlord and Penguin International.
- We are one of the few fully integrated shipping players in the industry with both shipbuilding and ship chartering capabilities. With a shipyard occupying more than 34 Ha of land in Batam, Marco Polo Marine is also one of the larger remaining shipyards in Indonesia that provides a comprehensive suite of ship building and repair services.

### 6. How has Marco Polo Marine evolved over the past few years?

- After the restructuring, we have diversified our customer base beyond the O&G sector. For our ship chartering business, some of our vessels are also supporting the construction of offshore windfarm projects in Taiwan.
- In our shipbuilding segment, we have also diversified the vessels to include repairs and maintenance for merchant vessels such as containerships, tankers and bulkers. The Group is also in the midst of constructing 2 smart fish farms with construction expected to be completed by end of FY2021.

## 7. The Group's ship chartering business has announced plans to diversify into the renewable energy segment. Could you share more about this and what can investors expect?

- Close to 20% of the Group's currently utilised vessels are working on offshore windfarm projects and this segment has started to contribute to the Group's financial performance in 1H FY2021.
- Although the specifications for vessels used to support the offshore windfarm projects are different from those used in O&G exploration projects, vessels can be deployed to support certain parts of the wind farm installation and construction, without additional capital expenditure.
- This has helped to support and provide a base for the utilisation of our vessels. In terms of profitability, costs of operating offshore windfarm projects may be slightly higher due to higher operational costs, however, this is offset by higher charter rates.

## 8. What do you foresee are some of the key opportunities and trends in the Group's key operating markets in the coming years?

- Management believes that the offshore windfarm sector presents opportunities for the Group. According to the Global Wind Energy Council, the Asia Pacific region has now taken the lead in global wind power development, accounting for 50.7% of all new installations in 2019. Energy Research & Consultancy firm, Wood Mackenzie, also believes that *"Floating offshore wind... could be the next frontier in wind power development in the Asia Pacific"*, seeing total investment in the sector to be potentially worth US\$58 billion, from the projects in the early planning stages from developers such as in Japan, South Korea and Taiwan.
- The Group has a view that the surge in installation and investment in offshore windfarms is expected to drive the demand for vessels supporting the installation and construction as well as the operation and maintenance of these offshore windfarms.



Marco Polo's MP Prospect supporting the installation of monopiles of the offshore wind farm construction in Taiwan

## 9. How does the Group plan to tap on the opportunities in the clean energy space?

- Aside from chartering vessels to support the installation of offshore windfarms, we also target to support the operation and maintenance of offshore windfarms after they are built.
- The operation and maintenance of offshore windfarms typically needs to be serviced by vessels such as Crew Transfer Vessels (CTV) and Service Operation Vessel (SOV), which are specialized vessels for maintenance technicians to stay on board and to provide safe walk to work capabilities to the offshore windfarm. Each of these vessels are unique and customized for each market and/or customer, due to varying specifications of the windfarms and sea water at various countries. Currently there is a shortage in supply of these SOVs with only about 20 such vessels around the world, majority of which are operating in Europe and US.
- As the windfarms are built further from the shore, SOVs are required for long distance operations. This could provide an opportunity for purpose-built SOVs to be built. Being a ship charterer and a shipbuilder with a track record, the Group has the capabilities to build such vessels, where we expect demand to grow based on the current number of offshore windfarm installations in the market.

## 10. Why should investors take a closer look at Marco Polo Marine?

- Marco Polo Marine is currently trading below its net asset value of S\$0.03/share which is backed mainly by hard assets including vessels and a shipyard in Batam (occupying more than 34 Ha of land).
- In addition, the Group is in a strong net cash position and has generated positive operational EBITDA over the last 3 years. As we diversify more into the renewables sector, in particular servicing the offshore windfarms, management is optimistic that the Group's asset utilisation and profitability will improve.

*Source: Company data*



## 10 in 10 – 10 Questions in 10 Minutes with SGX-listed companies

Designed to be a short read, 10 in 10 provides insights into SGX-listed companies through a series of 10 Q&As with management. Through these Q&As, management will discuss current business objectives, key revenue drivers as well as the industry landscape. Expect to find wide-ranging topics that go beyond usual company financials.

This report contains factual commentary from the company's management and is based on publicly announced information from the company.

For more, visit [sgx.com/research](http://sgx.com/research).

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## Notes



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