



Mooreast Holdings Ltd.

(MOOR SP)

Debut of an offshore marine company in a niche market

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- Mooreast is a total mooring solution provider.
- Its financial performance was stable during 2018-2020 but was negatively impacted by the slowdown in the offshore marine market in 1H21.
- The recovery in oil and gas E&P expenditure could benefit Mooreast in 2022.
- Ongoing growth in demand for renewable energy will be a tailwind for Mooreast in the long term.

IPO Price	S\$0.22
Shares for public offer	800,000
Shares for placement	38,050,000
Initial market cap	S\$57mn
Trading commence	Wed, 24 Nov

Company Background. Mooreast Holdings provides total mooring solutions to offshore oil and gas, marine and offshore renewable energy industries. It engages in four segments of businesses, namely renewable energy, rigging and heavy lifting, mooring, and marine supply & services. Its headquarter is in Singapore, and it has a sales office in Rotterdam, Netherlands. The main client base is offshore oil and gas companies such as PETRONAS, ExxonMobil, and Kepple Offshore & Marine.

- **Renewable Energy:** Provision of mooring solutions for floating wind turbine projects, offshore Solar PV projects and tidal turbine projects in Asia and Europe.
- **Rigging & Heavy Lifting:** Supply of rigging and heavy lifting equipment to customers in the offshore O&G, marine industries and construction industry in Singapore, including steel ropes, synthetic ropes and chains.
- **Mooring:** Design, engineering, fabrication, supply, mobilisation and logistics, installation and commissioning, and leasing services for mooring systems and mooring system components.
- **Marine Supplies & Services:** Supply of marine mooring component products such as anchors, chains, mooring fenders, wire ropes, synthetic mooring ropes and other equipment to the marine industry.

Financial highlights and analysis. The company's businesses are project-based and order book-driven. Given the nature of its business at the upstream offshore oil & gas and marine industry value chain, revenues fluctuate with the overall sector trend, especially oil prices. The expansion or contraction in CapEx from the offshore oil and gas customers will decide the upturn or downturn of Mooreast's businesses.

Mooreast performed well in the first year of COVID-19 as its Mooring segment (main revenue driver) secured two

fabrication projects in the UK. However, the offshore oil and gas market was stagnant during 6M21, even though oil prices had been trending upward. Accordingly, the Mooring segment saw a significant slowdown in securing new contracts. Revenue from Mooring dropped by 55.5% YoY to S\$4mn during the period.

Profitability is also impacted by inflation. To be more specific, raw material prices and labour costs are the primary sources of expenditure. Based on the past three-year average, Mooreast's GPM and NPM is around 40% and 20% respectively. It is noteworthy that Mooreast had 54.3% GPM in Mooring segment due to the rental of mooring equipment which provides higher margins, compared to the sale of equipment.

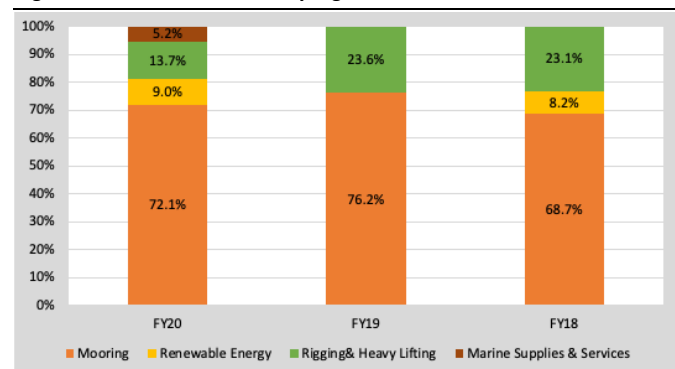
Figure 1: Key financials highlights

(S\$'000)	FY20	YoY Change	FY19	YoY Change	FY18
Revenue	19,678	21%	16,327	9%	14,970
Gross profit	7,784	16%	6,701	-6%	7,113
GPM	40%		41%		48%
PAT	3,787	32%	2,861	-15%	3,360
NPM	19%		18%		22%

(S\$'000)	6M21	YoY Change	6M20
Revenue	7,191	-23%	9,326
Gross profit	3,023	-18%	3,665
GPM	42%		39%
PAT	393	-83%	2,339
NPM	5%		25%

Source: Company KGI research

Figure 2: Revenue breakdown by segment



Source: Company, KGI research

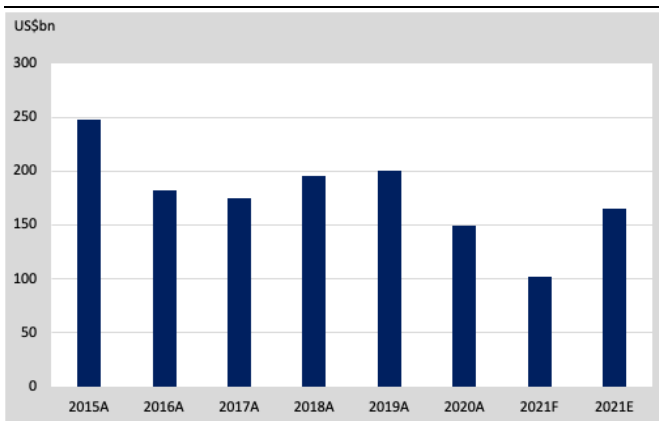
According to the company's latest updates, the order book based on confirmed sales orders to be fulfilled on or before 31 December 2022 was approximately S\$7.7mn. And of which, S\$6.3mn was mainly from the rental of mooring equipment. The orders could be terminated by customers in accordance with the terms and conditions applicable to such orders and depending on the applicable terms and conditions.

Market outlook. Over the past five years, ESG (environment, social, and governance) investment had been one of the main themes, especially in Europe and US. Investment in the oil and gas sector has been gradually unfavourable due to policy and regulation pressures.

As shown below, the global oil majors have continued reducing exploration and production CAPEX over the past few years. Capital flocked to green projects such as solar, wind, and electric vehicle. In fact, this led to a new issue: insufficient oil supply as related capacity fell.

With increasing vaccination and gradual reopening of borders, the normalisation of worldwide and domestic travelling and production activities will be realised gradually in 2022 and 2023. The consistent growing demand for oil is expected to outpace supply. As a result, higher oil prices will incentivise some capital to flow back to E&P areas. Therefore, the upstream offshore oil & gas and marine sector could embrace tailwinds in 2022 and 2023.

Figure 3: Integrated oil companies E&P capex



*A: Actual, F: Company forecast and guidance, E: Market estimates

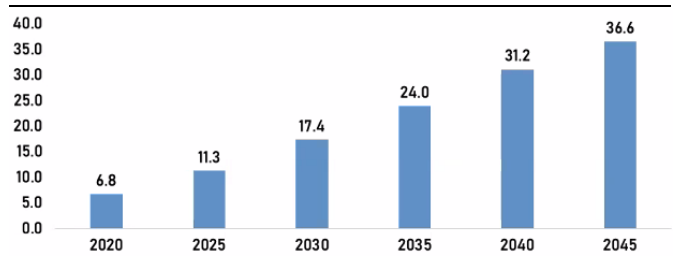
Source: Bloomberg

On the other hand, green investment continues to be the central theme. According to OPEC, the global demand for renewable energy will grow at a CAGR of 7% from 2020 to 2045.

The International Renewable Energy Agency forecasts that the global offshore wind industry will represent 17% of the total global installed wind capacity of 6,044 GW by 2050. Floating wind farms are expected to comprise 5% to 15% of the global offshore wind installed capacity by 2050.

Solar PV in Southeast Asia has been growing at a CAGR of 63.0% from 1,988 MW in 2015 to 22,845 MW in 2020. The floating solar PV market potential in Southeast Asia is estimated to be at least 24 GW.

Figure 4: Global demand for renewable energy (mn BOE/d)



Source: Company presentation

Company outlook

In the near term, Mooreast's mooring business could bottom out from the soft market sentiment as the upstream oil and gas E&P CapEx will rebound next year. In the mid-term, Mooreast's renewable energy could increase the shares in terms of the revenue mix as Asia has more potential deployment of offshore wind farms.

Key Risks:

1. Business and financial performance are dependent on the state of the offshore O&G and marine industries.
2. Government initiatives and incentives relating to renewable energy sources, and in particular to offshore wind energy, may have a material adverse effect on business and prospects.
3. Revenues and profits may fluctuate with changes in oil and gas prices.
4. Inflation impact results in high material costs
5. Mooreast does not have long-term contracts with customers.

Figure 5: Singapore peers comparison

Company	Bloomberg Ticker	Price (Ld curr)	Mkt Cap (\$m)	P/E (x) (hist)	P/E (x) (fwd)	P/B (x)	ROE (%)	EV/EBITDA (x) (ttm)	EV/EBITDA (x) (fwd)	EV/EBITDA (x) (fwd 1 yr)	Net Gearing (%)	Dvd Yld (%)
Sembcorp Marine	SMM SP	0.09	2,605	-	-	0.4	(42)	-	-	-	-	-
Rex International	REXI SP	0.29	378	9.0	9.7	1.8	23	4.3	4.9	5.8	-	-
Civmec	CVL SP	0.69	344	10.0	7.9	1.2	-	6.0	5.5	5.0	33.7	1.5
CSE Global	CSE SP	0.51	259	11.2	9.7	1.3	12	6.3	7.4	6.2	38.3	5.4
RH PetroGas	RHP SP	0.17	122	8.0	-	-	-	2.7	-	-	-	-
Nordic Group	NRD SP	0.40	155	13.8	-	1.6	13	7.7	-	-	5.7	2.9
PEC	PEC SP	0.53	135	6.0	-	0.6	10	0.8	-	-	NC	4.7
Mermaid Maritime	MMT SP	0.08	112	-	-	0.5	(10)	-	-	-	16.4	-
Marco Polo Marine	MPM SP	0.03	99	-	28.0	0.9	(2)	9.4	28.6	9.8	NC	-
SIMPLE AVERAGE				9.7	13.8	1.0	1	5.3	11.6	6.7	23.5	3.6

Source: Bloomberg

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