

## MMA Offshore Ltd

Energy Oil & Gas Equipment & Services  
16 November 2023

BUY

### 1H24 guidance highlights operating leverage

#### EVENT

Trading update. Key highlights include:

- **1H24 EBITDA guidance range exceeds our expectations:** management has issued quantitative guidance for the first time, and expects 1H24 EBITDA in the range of \$55-\$60m, which implies +56% upgrade on prior MAe (at the midpoint), as well as +79% growth on pcp and +54% sequential HoH growth;
- From an operational perspective, management noted **strong contributions across all divisions (vessels, subsea, and project logistics) during the first 4 months of the year** supported by strong activity across all key markets;
- **Management further noted "solid contracted revenue position" for the remainder of 1H24;** and
- Management **expects positive market conditions to prevail** as they firm up 2H24 contracted positions.

#### IMPACT

We adjust our average day rates and fleet utilisation assumptions to reflect updated trading conditions. These adjustments drive changes to our FY24-26 EBITDA estimates +35/32/34% to \$111/125/135m and changes to FY24-26e EPS estimates +43/33/33% to 12.1/14.8/16.8cps.

We note our \$111m FY24 EBITDA estimate is split 1H24: \$55m and 2H24: \$56m, we hold the view there is meaningful upside to 2H24 should the company successfully navigate the contract risk associated with typhoon season and the positive market conditions persist.

#### INVESTMENT VIEW

We maintain our Buy rating with an increased Target Price of \$1.90 (prior \$1.65).

This update is a timely demonstration of the meaningful operating leverage in the model and reaffirms our view of the continuing positive momentum in the outlook. We continue to hold the view: **1) continued improvement in day rates and utilisation** from persistent vessel supply constraint in face of building demand; **2) meaningful operating leverage demonstrated by our sensitivity analysis**, including: estimated additional ~\$11m EBITDA and ~\$3m free cash for a +10% increase in FY24 day rate and estimated additional ~\$2m EBITDA and \$1m free cash for a +2% increase in FY24 utilisation. **3) Balance sheet primed for inorganic expansion.** Last reported ~\$145m in available liquidity (\$120m revolving facility + \$25m net cash at Jun-23 (ex leases)), provides management ample firepower to pursue opportunistic, incremental, and disciplined fleet expansion, let alone forecast cash build under improving operating conditions. **4) Undemanding valuation.** Our estimates imply an undemanding 12.4x P/E and 4.8x EV/EBITDA for a 43% FY23-26 EPS CAGR (MAe) offering a 9% FCF yield in FY24 and a net cash balance sheet.

#### COMPANY UPDATE

Ticker	MRM
Stock Price	\$1.50
Target Price	\$1.90
Forecast Capital Return	26.7%
Forecast Dividend Yield	1.7%
Estimated Total Return - 12Mth	28.4%

#### COMPANY MARKET DATA

Market Cap	\$552.2m
Free Float (%)	88.4%
Enterprise Value	\$537.3m
Shares on issue	368.1m
52-wk Range	\$0.69 - \$1.57

#### ESTIMATE CHANGES 2023a 2024e 2025e 2026e

NPAT - new	22.2	47.2	57.7	65.4
NPAT - old	22.2	33.0	43.2	49.1
% Change	0.0%	43.2%	33.4%	33.3%
EPS (Dil.) (¢) - new	5.7	12.1	14.8	16.8
EPS (Dil.) (¢) - old	5.7	8.5	11.1	12.6
% Change	0.0%	43.2%	33.4%	33.3%
DPS (¢) - new	0.0	2.6	3.1	3.6
DPS (¢) - old	0.0	1.8	2.3	2.7
% Change	0.0%	44.4%	34.8%	33.3%

All figures are in AUD unless otherwise specified.

#### SHARE PRICE PERFORMANCE

#### ANALYST

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Y/E JUN 30	2023a	2024e	2025e	2026e
EBITDA	69.3	111.0	125.2	135.2
EV/EBITDA	7.8x	4.8x	4.3x	4.0x
NPAT	22.2	47.2	57.7	65.4
EPS (Diluted) (¢)	5.7	12.1	14.8	16.8
P/E	26.2x	12.4x	10.1x	8.9x
EPS growth	(457.1)%	112.1%	22.1%	13.4%
DPS (¢)	0.0	2.6	3.1	3.6
Yield	0.0%	1.7%	2.1%	2.4%
DPS growth	--	--	22.1%	13.4%
Dividend payout ratio (%)	0.0%	21.2%	21.2%	21.2%

All figures are in AUD.

**Table 1 - Estimate changes**

Profit & Loss (\$m)	FY23a	1H24e	2H24e	FY24e	FY25e	FY26e	Estimate changes			FY23-26e
							FY24e	FY25e	FY26e	CAGR
<b>Revenue</b>	<b>308.3</b>	<b>224.1</b>	<b>227.2</b>	<b>451.3</b>	<b>503.8</b>	<b>536.8</b>	<b>25.4%</b>	<b>21.5%</b>	<b>23.7%</b>	<b>20.3%</b>
<b>EBITDA</b>	<b>69.3</b>	<b>55.0</b>	<b>56.0</b>	<b>111.0</b>	<b>125.2</b>	<b>135.2</b>	<b>35.2%</b>	<b>31.8%</b>	<b>33.5%</b>	<b>25.0%</b>
<i>EBITDA margin</i>	<i>22.5%</i>	<i>24.6%</i>	<i>24.7%</i>	<i>24.6%</i>	<i>24.9%</i>	<i>25.2%</i>	<i>1.8bps</i>	<i>1.9bps</i>	<i>1.9bps</i>	
D&A	(39.4)	(27.1)	(27.5)	(54.6)	(59.4)	(59.1)	30.3%	32.0%	31.1%	14.5%
<b>EBIT</b>	<b>29.9</b>	<b>27.9</b>	<b>28.5</b>	<b>56.5</b>	<b>65.8</b>	<b>76.1</b>	<b>40.3%</b>	<b>31.7%</b>	<b>35.4%</b>	<b>36.6%</b>
<i>EBIT margin</i>	<i>9.7%</i>	<i>12.5%</i>	<i>12.6%</i>	<i>12.5%</i>	<i>13.1%</i>	<i>14.2%</i>	<i>1.3bps</i>	<i>1bps</i>	<i>1.2bps</i>	
Net interest expense	(4.9)	(1.5)	(1.2)	(2.8)	(0.3)	0.4	0.3%	-66.6%	-189.8%	-142.4%
<b>PBT</b>	<b>25.0</b>	<b>26.4</b>	<b>27.3</b>	<b>53.7</b>	<b>65.5</b>	<b>76.5</b>	<b>43.2%</b>	<b>33.4%</b>	<b>37.1%</b>	<b>45.1%</b>
Tax	(2.8)	(3.2)	(3.3)	(6.4)	(7.9)	(11.0)	43.2%	33.4%	65.0%	58.1%
<b>NPAT (Underlying)</b>	<b>22.2</b>	<b>23.3</b>	<b>24.0</b>	<b>47.2</b>	<b>57.7</b>	<b>65.4</b>	<b>43.2%</b>	<b>33.4%</b>	<b>33.3%</b>	<b>43.3%</b>
<i>NPAT margin</i>	<i>7.2%</i>	<i>10.4%</i>	<i>10.6%</i>	<i>10.5%</i>	<i>11.5%</i>	<i>12.2%</i>	<i>1.3bps</i>	<i>1bps</i>	<i>0.9bps</i>	
<b>EPS (Underlying, Diluted) (¢)</b>	<b>5.7</b>	<b>6.0</b>	<b>6.2</b>	<b>12.1</b>	<b>14.8</b>	<b>16.8</b>	<b>43.2%</b>	<b>33.4%</b>	<b>33.3%</b>	<b>43.2%</b>
<b>DPS (¢)</b>	<b>-</b>	<b>1.3</b>	<b>1.3</b>	<b>2.6</b>	<b>3.1</b>	<b>3.6</b>	<b>43.2%</b>	<b>33.4%</b>	<b>33.3%</b>	
<i>Yield</i>	<i>-</i>	<i>0.8%</i>	<i>0.9%</i>	<i>1.7%</i>	<i>2.1%</i>	<i>2.4%</i>	<i>43.2%</i>	<i>33.4%</i>	<i>33.3%</i>	

MMA Offshore Ltd (MRM) Market Cap: \$552.2m Stock Price: \$1.50 Target Price: \$1.90 Buy

Y/E JUN 30

PROFIT & LOSS (\$)	2022A	2023A	2024E	2025E	2026E
<b>Revenue</b>	<b>283.8</b>	<b>308.3</b>	<b>451.3</b>	<b>503.8</b>	<b>536.8</b>
<i>Growth</i>	19.5%	8.6%	46.4%	11.6%	6.6%
<b>EBITDA</b>	<b>32.3</b>	<b>69.3</b>	<b>111.0</b>	<b>125.2</b>	<b>135.2</b>
<i>Growth</i>	(29.6)%	114.5%	60.2%	12.8%	8.0%
Dep'n & Amort.	(30.8)	(39.2)	(54.5)	(58.9)	(57.4)
<b>EBIT</b>	<b>1.3</b>	<b>29.9</b>	<b>56.5</b>	<b>65.8</b>	<b>76.1</b>
<i>Growth</i>	(89.9)%	2,153.9%	88.9%	16.6%	15.6%
Net interest Expense	(6.3)	(4.9)	(2.8)	(0.3)	0.4
Interest Expense	(6.4)	(6.7)	(5.9)	(4.5)	(3.1)
<b>Profit Before Tax</b>	<b>(5.0)</b>	<b>25.0</b>	<b>53.7</b>	<b>65.5</b>	<b>76.5</b>
Tax	(1.0)	(2.8)	(6.4)	(7.9)	(11.0)
Tax Rate (%)	20.7%	(11.2)%	(12.0)%	(12.0)%	(14.4)%
Minorities / Abnormal items	0.0	0.0	0.0	0.0	0.0
<b>NPAT (Underlying)</b>	<b>(6.0)</b>	<b>22.2</b>	<b>47.2</b>	<b>57.7</b>	<b>65.4</b>
<i>Growth</i>	(2,237.0)%	(470.2)%	112.5%	22.1%	13.4%
One-Off Items	39.8	105.5	0.0	0.0	0.0
<b>NPAT (Reported)</b>	<b>33.8</b>	<b>127.7</b>	<b>47.2</b>	<b>57.7</b>	<b>65.4</b>
<b>EPS Underlying (Diluted) (¢)</b>	<b>(1.6)</b>	<b>5.7</b>	<b>12.1</b>	<b>14.8</b>	<b>16.8</b>
<i>Growth</i>	(1,685.9)%	(457.1)%	112.1%	22.1%	13.4%

BALANCE SHEET (\$)	2022A	2023A	2024E	2025E	2026E
Cash	73.9	106.3	132.2	165.6	201.9
Inventory	1.7	2.2	3.2	3.6	3.8
Current Receivable	63.5	84.2	124.5	139.2	146.8
PPE	379.9	441.2	428.0	407.8	393.1
Intangibles	0.6	0.2	0.2	4.8	8.4
Other	16.5	16.8	16.8	16.8	16.8
<b>Total Assets</b>	<b>536.0</b>	<b>650.9</b>	<b>704.9</b>	<b>737.8</b>	<b>770.9</b>
Current Payables	43.1	53.4	78.7	88.0	92.9
ST Debt	12.5	5.5	5.5	5.5	5.5
LT Debt	102.9	75.8	55.8	35.8	15.8
Provisions	14.5	12.3	12.3	12.3	12.3
Other	22.2	18.1	19.5	19.7	19.9
<b>Total Liabilities</b>	<b>195.2</b>	<b>165.0</b>	<b>171.8</b>	<b>161.3</b>	<b>146.3</b>
<b>Net Assets</b>	<b>340.7</b>	<b>485.8</b>	<b>533.1</b>	<b>576.5</b>	<b>624.5</b>
Equity & Reserves	883.7	900.9	900.9	900.9	900.9
Retained Profits	(543.4)	(415.3)	(368.1)	(324.6)	(276.6)
<b>Shareholders' Equity</b>	<b>340.4</b>	<b>485.6</b>	<b>532.8</b>	<b>576.3</b>	<b>624.3</b>
Minorities	0.4	0.3	0.3	0.3	0.3
Total Equity	340.7	485.8	533.1	576.5	624.5

CASHFLOW (\$)	2022A	2023A	2024E	2025E	2026E
EBITDA	32.3	69.3	111.0	125.2	135.2
Net Interest	(5.9)	(5.1)	(2.8)	(0.3)	0.4
Tax	(0.6)	(0.4)	(6.4)	(7.9)	(11.0)
Δ in Working Capital	(5.8)	(10.9)	(16.0)	(5.8)	(3.0)
Other	(4.9)	(2.4)	(0.0)	(0.0)	0.0
<b>Operating Cash Flow</b>	<b>15.2</b>	<b>50.5</b>	<b>85.8</b>	<b>111.2</b>	<b>121.5</b>
<i>Growth</i>	(43.7)%	233.2%	69.9%	29.6%	9.3%
Capex	(12.8)	(18.4)	(35.0)	(33.7)	(37.5)
Acquisitions	(2.1)	0.0	0.0	0.0	0.0
Divestments	0.0	0.0	0.0	0.0	0.0
Other	30.0	37.3	0.0	(5.0)	(5.4)
<b>Investing Cash Flow</b>	<b>15.2</b>	<b>18.9</b>	<b>(35.0)</b>	<b>(38.7)</b>	<b>(42.8)</b>
Equity Raised	0.0	0.0	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	(14.2)	(17.4)
Net Borrowings	(53.0)	(35.6)	(20.0)	(20.0)	(20.0)
Other	(3.9)	(4.9)	(4.9)	(4.9)	(5.0)
<b>Financing Cash Flow</b>	<b>(56.9)</b>	<b>(40.5)</b>	<b>(24.9)</b>	<b>(39.2)</b>	<b>(42.4)</b>
FX / Non Cash items	4.1	3.6	0.0	0.0	0.0
<b>Change in Cash</b>	<b>(26.5)</b>	<b>28.9</b>	<b>25.9</b>	<b>33.4</b>	<b>36.3</b>
<b>Free Cash Flow</b>	<b>2.4</b>	<b>32.1</b>	<b>50.8</b>	<b>72.5</b>	<b>78.7</b>

VALUATION SUMMARY	
Market Cap	\$552.2m
Shares on issue	368.1m
Stock Price	\$1.50
Target Price	\$1.90
Estimated Total Return - 12 Mth	28.4%
12 Mth Fwd Dividend Yield	1.7%

PERFORMANCE RATIOS	2022A	2023A	2024E	2025E	2026E
ROA	(1.1)%	3.7%	7.0%	8.0%	8.7%
ROE	(1.9)%	5.4%	9.3%	10.4%	10.9%
ROIC	0.4%	6.2%	10.2%	11.9%	14.1%
ROCE	0.0%	0.1%	0.1%	0.1%	0.1%
Net Debt (Cash) (\$m)	41.6	(25.0)	(70.9)	(124.3)	(180.6)
Net Debt/EBITDA (x)	1.6x	(0.2)x	(0.5)x	(0.9)x	(1.2)x
ND/(ND + Equity) (%)	13.0%	(3.2)%	(12.5)%	(24.3)%	(37.0)%
Interest Cover (x)	0.2x	6.2x	20.4x	223.7x	(206.0)x
Working Capital	3.6	20.1	36.1	42.0	45.0
Working Capital/Sales (%)	1.3%	6.5%	8.0%	8.3%	8.4%

VALUATION RATIOS	2022A	2023A	2024E	2025E	2026E
<b>EPS Underlying (Diluted) (¢)</b>	<b>(1.6)</b>	<b>5.7</b>	<b>12.1</b>	<b>14.8</b>	<b>16.8</b>
<i>Growth</i>	(1,685.9)%	(457.1)%	112.1%	22.1%	13.4%
<b>P/E (x)</b>	<b>(93.6)x</b>	<b>26.2x</b>	<b>12.4x</b>	<b>10.1x</b>	<b>8.9x</b>
Small industrials (ex Fin's)	0.0x	0.0x	20.8x	18.3x	16.5x
Premium / (Discount)	--	--	40.6%	44.6%	46.0%
<b>EV/EBITDA (x)</b>	<b>16.6x</b>	<b>7.8x</b>	<b>4.8x</b>	<b>4.3x</b>	<b>4.0x</b>
Small industrials (ex Fin's)	0.0x	0.0x	11.2x	10.2x	9.3x
Premium / (Discount)	--	--	57%	58%	57%
<b>DPS (¢)</b>	<b>0.0</b>	<b>0.0</b>	<b>2.6</b>	<b>3.1</b>	<b>3.6</b>
<i>Growth</i>	--	--	--	22.1%	13.4%
Yield	0.0%	0.0%	1.7%	2.1%	2.4%
Dividend Payout Ratio (%)	0.0%	0.0%	21.2%	21.2%	21.2%
Franking (%)	0.0%	0.0%	100.0%	100.0%	100.0%
NTA	340.2	479.5	526.9	565.7	610.0
NTA/Share (\$)	0.91	1.23	1.35	1.45	1.57

CASH FLOW METRICS	2022A	2023A	2024E	2025E	2026E
<b>FCF/Share (\$)</b>	<b>0.01</b>	<b>0.09</b>	<b>0.14</b>	<b>0.20</b>	<b>0.21</b>
Free Cash Flow Yield (%)	3.9%	33.6%	52.3%	74.0%	80.2%
Gross Cash Conversion (%)	66.9%	80.8%	85.6%	95.3%	97.8%
Capex/Sales (%)	4.5%	6.0%	7.8%	6.7%	7.0%

MARGINS	2022A	2023A	2024E	2025E	2026E
EBITDA	11.4%	22.5%	24.6%	24.9%	25.2%
EBIT	0.5%	9.7%	12.5%	13.1%	14.2%
NPAT	(2.1)%	7.2%	10.5%	11.5%	12.2%

VALUATION METHODOLOGY	
WACC	10.30%
Discounted Cash Flow Valuation/Share	\$1.70
Sum-of-the-Parts Valuation/Share	\$1.77
Average Valuation/Share	\$1.73
Target Price	\$1.90

## RESEARCH & SALES RESPONSIBILITIES

### Equities

Bryan Johnson	Head of Sales	+612 8288 5412
Edward Day	Head of Research	+612 8288 5424
Elliot Leahey	Business Director	+612 8288 5402
Brooke Davis	Finance Executive	+612 8288 5417
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### Equities Sales & Trading

Bryan Johnson	Head of Sales	+612 8288 5412
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## DISCLOSURE APPENDIX

### Analyst Certification

The Analyst, Matthew Chen, responsible for the content of this research report, in whole or in part, certifies that with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report accurately reflect his or her personal views on the subject companies and securities, and (2) no part of his or her compensation was, is, or will be directly or indirectly linked to the specific recommendations or views expressed in this research report.

I declare that:

- a) to the best of my knowledge I am not in receipt of inside information and the research does not contain inside information; and
- b) no other part of MA Financial Group Limited has made any attempt to influence the research.

The Analyst, Oliver Porter, responsible for the content of this research report, in whole or in part, certifies that with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report accurately reflect his or her personal views on the subject companies and securities, and (2) no part of his or her compensation was, is, or will be directly or indirectly linked to the specific recommendations or views expressed in this research report.

I declare that:

- a) to the best of my knowledge I am not in receipt of inside information and the research does not contain inside information; and
- b) no other part of MA Financial Group Limited has made any attempt to influence the research.

## RATING DEFINITIONS

All companies under coverage are assigned a rating of Buy, Hold or Sell based on the expected 12 month total return estimated by the analyst(s). The total return is a combination of the estimated capital gain or loss, in addition to the estimated 12 month forward dividends or distributions. In relation to all companies that MA Moelis Australia Securities Pty Limited conducts research coverage on the relevant total return bands that derive the ratings are:

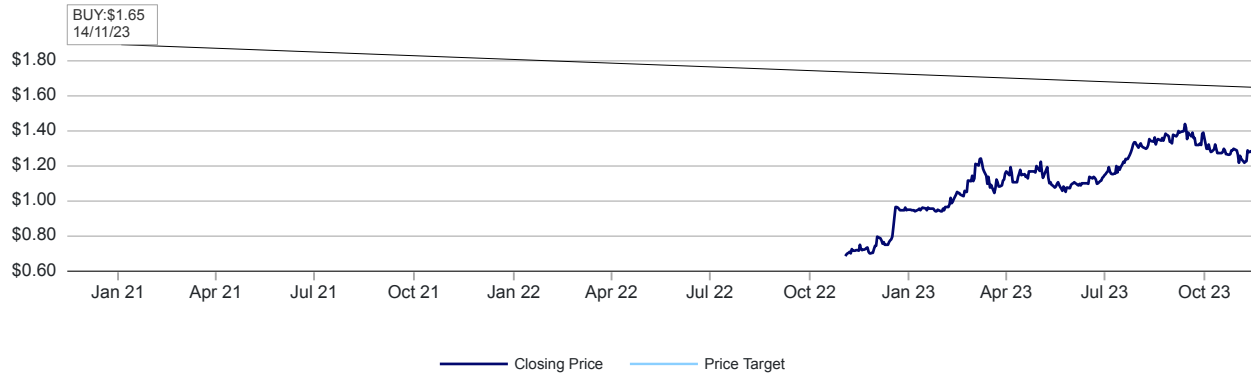
**Buy:** >15% **Hold:** 5% to 15% **Sell:** <5%.

### RATINGS DISTRIBUTION TABLE

Distribution of Ratings as at 16 November 2023

SELL	HOLD	BUY
0.00%	21.79%	78.21%

**MMA Offshore Ltd Rating History as of 11-14-2023**



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