

Jason Marine Group Limited

08 July 2022

Non rated

BBG	JMG
Market cap	S\$16.6m
Price (07 July 2022)	S\$0.16
52-week range	S\$0.08 – S\$0.175
Target Price	Non-rated
Shares Outstanding	105m
Free Float	19.95%
Major Shareholder	Foo Chew Tuck (77.43%)
P/BV (03/22)	0.7x
Net Debt to EBITDA (03/22)	Net cash

Source: Company data, Bloomberg, SAC Capital

Orders are returning

FY22 revenue and net profits were S\$30.9m (+3%) and S\$0.2m (-23%) respectively. The decline in net profit is mainly due to a decrease in government grant of ~S\$1.2m and one off termination payment of ~S\$0.5m in FY21. Government grant support ceases in FY23.

Enquires from customers have picked up post-opening, and more projects are coming back on-stream after a slowdown in the past 2 years. Local output of marine and offshore engineering work in April has risen 27.6% yoy and 18.3% from Jan-April. Higher crude prices, shipbuilding orderbook and easing of travel restrictions are tailwinds for the sector. We believe the Group's order intake could return to pre-pandemic level. The Group has established an office in Italy. This will better position them to enter the EU market and expand their outreach to EU customers. Vessel owners are also placing more importance on cybersecurity, prompting more upgrades/replacements to their navigation and communication systems. This trend is likely to benefit the Group as well.

Like other project engineering companies, the Group faces execution challenges from component/equipment shortages which might delay revenue recognition and risk cost overrun. JMG reflected lower project-based revenue (-7%) as the Group was unable to secure the equipment hence hampering the progress of its projects. Nevertheless, these shortages are short-term concerns and likely to ease as chip capacities redistribute following a slowdown in consumer electronics demand. In view of market uncertainty and volatility, the Group has drawn down a \$5m loan solely for working capital needs. The loan is fixed at 2-2.5% per annum over a 5-year tenure.

The Group maintains a sound and healthy balance sheet with a net cash balance of S\$14.7m as at Mar 22. (i.e. 14ct/share). Its net cash represents ~89% of its market cap. The Group has proposed a dividend of 1ct/share (FY21: 0.75c/share) for FY22 which translates to a dividend yield of 6.3%. The share is currently trading below book value at P/B of 0.7x.

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FY ended 31 Mar (S\$m)	FY2018	FY2019	FY2020	FY2021	FY2022
Revenue	31.6	29.0	30.2	30.1	30.9
EBIT	1.1	1.0	2.3	0.4	0.4
Net profit	0.0	0.2	2.2	0.3	0.2
EPS (S cents)	0.0	0.2	2.1	0.3	0.2
Dividend per share (S cents)	0.5	0.5	0.5	0.75	1.00
Net cash / (debt)	17.9	14.2	14.6	15.2	14.7
Valuation					
EBIT margin (%)	3.4	3.5	7.5	1.2	1.2
ROIC (%)	2.6	14.1	-0.1	1.0	1.3
EV/EBITDA (x)	n.m.	1.8	0.7	1.4	1.6
P/E (x)	n.m.	86.9	7.6	53.2	69.1
Dividend yield (%)	3.2	3.2	3.2	4.7	6.3

Income statement

S\$'m	Fiscal year ending 31 March				
	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A
Revenue	31.6	29.0	30.2	30.1	30.9
Cost of sales	(21.4)	(18.8)	(22.5)	(21.6)	(21.8)
Gross profit	10.2	10.2	7.7	8.5	9.1
Other income	1.1	0.9	2.3	2.2	0.7
Interest income	0.1	0.2	0.1	0.0	0.0
Distribution costs	(4.1)	(4.9)	(5.1)	(5.1)	(5.1)
Admin expenses	(4.4)	(3.8)	(3.6)	(4.0)	(3.9)
Write back of impairment loss on financial assets	0.0	(0.9)	0.8	(0.0)	0.1
Other expenses	(1.8)	(0.7)	(0.0)	(1.2)	(0.6)
Operating Profit	1.1	1.0	2.3	0.4	0.4
Finance expenses	0.0	0.0	(0.0)	(0.0)	(0.1)
Share of profit of associate	(0.9)	(0.4)	0.0	(0.0)	(0.0)
PBT	0.2	0.6	2.2	0.3	0.3
Income tax exp	(0.1)	(0.4)	(0.0)	(0.0)	(0.0)
Net Profit	0.1	0.2	2.2	0.3	0.2
Profit to owners	0.0	0.2	2.2	0.3	0.2
Minority Interests	0.0	0.0	0.0	(0.0)	(0.0)

Balance Sheet

S\$'m	Fiscal year ending 31 March				
	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in associate	0.5	0.1	0.1	0.1	0.1
Financial assets	23.5	3.9	0.8	0.3	0.3
PPE	1.1	0.8	0.7	0.9	1.0
Trade receivables	0.1	0.0	0.1	0.0	0.1
ROU assets	0.0	0.0	0.4	0.5	0.6
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Total non-current assets	25.2	4.7	2.1	1.7	2.0
Inventories	3.1	4.6	4.1	2.7	3.3
Trade receivables	12.0	5.5	6.9	4.3	4.9
Contract assets	0.0	6.4	3.4	7.8	7.2
Derivative instruments	1.0	0.3	1.4	0.0	0.0
Prepayments	0.2	0.2	0.2	0.3	0.5
Cash	17.9	14.2	14.6	15.2	19.0
Income tax recoverable	0.0	0.0	0.0	0.0	0.0
Total current assets	34.1	31.2	30.6	30.3	34.8
Total assets	59.3	35.9	32.7	32.1	36.8
Deferred tax liabilities	0.1	0.0	0.0	0.0	0.0
Finance lease payables	0.0	0.0	0.1	0.1	0.1
Bank borrowings	0.0	0.0	0.0	0.0	3.3
Total non-current liabilities	0.1	0.0	0.1	0.1	3.4
Finance lease payables	-	0.0	0.4	0.4	0.4
Derivative financial liabilities	-	0.0	0.2	0.0	0.0
Trade payables	6.6	5.6	4.5	4.6	5.9
Contract liabilities	6.1	3.5	2.6	2.8	2.5
Bank borrowings	0.0	0.0	0.0	0.0	1.0
Income tax payable	0.1	0.5	0.0	0.0	0.0
Total current liabilities	12.8	9.5	7.6	7.8	9.8
Total liabilities	12.9	9.5	7.7	7.8	13.2
Share capital	18.0	18.0	18.0	18.0	18.0
Treasury shares	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Retained earnings	5.9	5.4	7.1	6.9	6.3
Other reserves	23.0	3.3	0.2	(0.3)	(0.3)
Foreign currency account	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
Owner's equity	46.4	26.4	24.9	24.2	23.5
NCI	0.1	0.1	0.1	0.1	0.1
Total equity	46.5	26.5	25.0	24.2	23.6

Ratios

S\$'m	Fiscal year ending 31 March				
	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A
Profitability (%)					
Gross profit margin	32%	35%	25%	28%	30%
Profit before tax margin	1%	2%	7%	1%	1%
Liquidity (x)					
Current ratio	2.7	3.3	4.0	3.9	3.6
Quick ratio	2.4	2.8	3.5	3.5	3.2
Interest coverage ratio	NA	NA	86.6	23.9	4.4
Net Debt to Equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Valuation (x)					
P/E	368.7	86.9	7.6	53.2	69.1
P/B	0.4	0.6	0.7	0.7	0.7
EV/EBITDA	(0.9)	1.8	0.7	1.4	1.6
Cash Conversion Cycle					
Trade receivable days	138.2	69.2	82.9	52.0	57.4
Inventory days	52.3	89.8	66.5	45.9	55.5
Trade payable days	112.1	107.9	73.1	77.1	98.6
CCC days	78.4	51.0	76.3	20.8	14.3

Cash Flow Statement

S\$'m	Fiscal year ending 31 March				
	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A
PBT	0.2	0.6	2.2	0.3	0.3
Depreciation/Amortisation expense	0.4	0.3	0.6	0.7	0.8
Interest income	(0.1)	(0.2)	(0.1)	(0.0)	(0.0)
Interest expense	0.0	0.0	0.0	0.0	0.1
Others	1.2	1.4	(2.2)	1.3	0.2
Changes in working capital	(7.3)	(5.7)	1.3	(0.2)	(0.1)
Share of profit of Associate	0.9	0.4	(0.0)	0.0	0.0
Interest received	0.1	0.2	0.1	0.0	0.0
Income tax	(0.5)	(0.1)	(0.5)	(0.0)	(0.0)
Net cash from operating activities	(5.1)	(3.1)	1.4	2.1	1.2
Purchase of PPE	(0.2)	(0.3)	(0.3)	(0.5)	(0.5)
Purchase of intangible assets	0.0	0.0	0.0	(0.0)	0.0
Others	0.0	0.0	0.1	0.0	0.1
Net Cash used in investing activities	(0.2)	(0.3)	(0.2)	(0.5)	(0.4)
Dividends paid	0.0	(0.5)	(0.5)	(0.5)	(0.8)
Interest paid	0.0	0.0	(0.0)	(0.0)	(0.1)
Drawdown of borrowings	0.0	0.0	0.0	0.0	5.0
Repayment of borrowings	0.0	0.0	0.0	0.0	(0.7)
Repayment of finance lease payables	0.0	0.0	(0.3)	(0.4)	(0.4)
Net Cash used in financing activities	0.0	(0.5)	(0.9)	(0.9)	3.0
Net (decrease)/increase in cash	(5.3)	(4.0)	0.3	0.7	3.8
Cash at the beginning of the year	23.9	17.9	14.2	14.6	15.2
Net effect of exchange rate changes	(0.7)	0.3	0.2	(0.1)	0.0
Cash at the end of the year	17.9	14.2	14.6	15.2	19.0

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