

MISC Berhad

(3816 | MISC MK) Main | Transportation & Logistics

Maintain NEUTRAL


Two new FPSOs for South America

Target Price: RM7.37

DEVELOPMENT

- MISC Bhd, via its petroleum arm AET, has added two LNG dual-fuelled FPSOs into their fleet.
- The fleet will be deployed to Brazilian offshore, signalling MISC's entry into the region.

OUR VIEW

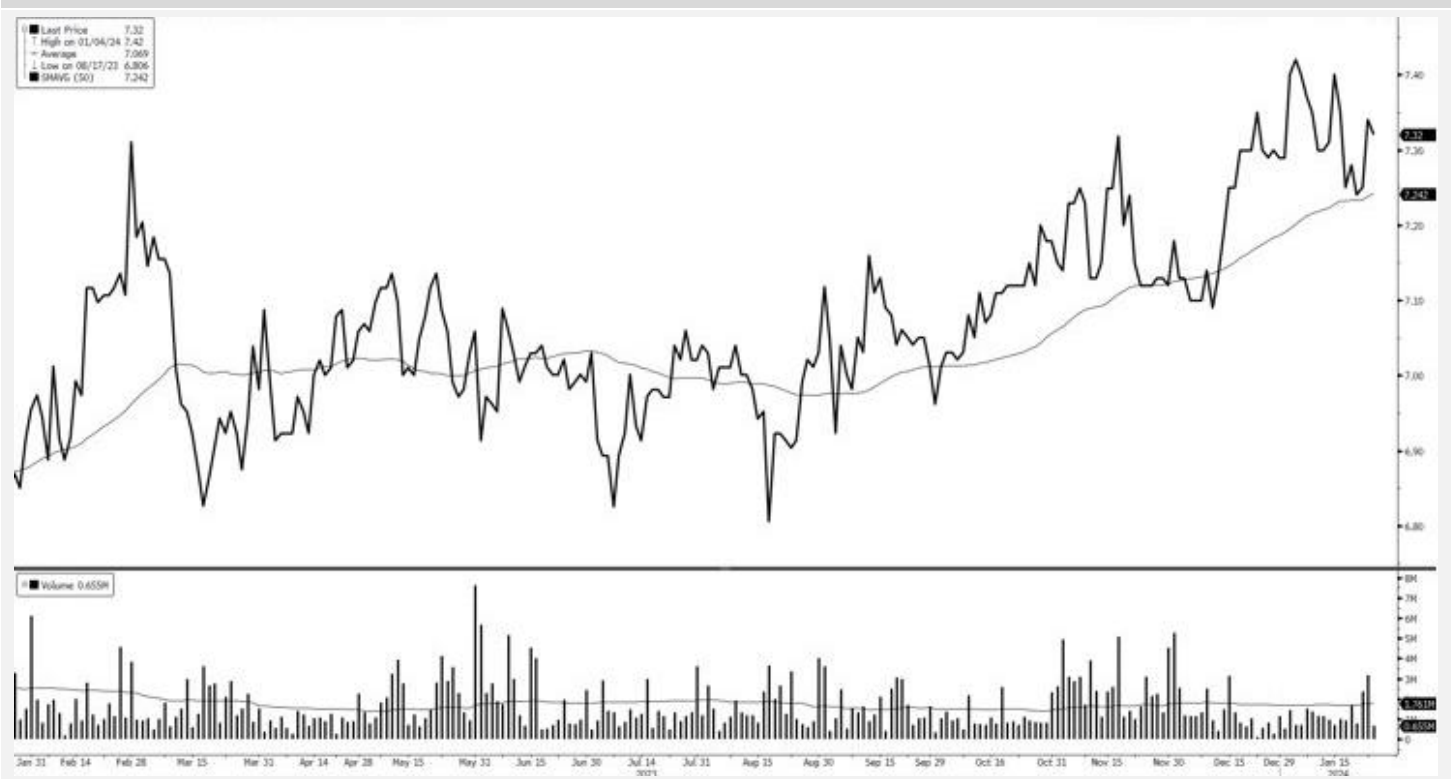
- **Dual-fuel tech expected to grow.** The FPSOs Marechal Duque de Caxias and Eagle Veracruz were recently named and introduced to MISC's fleet. 15 % of AET fleets are powered by LNG dual-fuel technology, and the numbers are expected to grow.
- **LNG continues to be key role in transition.** We believe these latest additions to MISC's fleet is in line with MISC's commitment to continue supporting energy sustainability while promoting energy transition for the shipping industry. Shipping industry, while being one of the hard-to-abate sectors in terms of emissions, had been eyeing LNG as an alternative to the conventional diesel. By using dual-fuel engines, we are expecting LNG demand for this industry to grow in the near future, hence solidifying our forecast that LNG will be less susceptible in the commitment for energy transition, as per NETR.
- While the FPSOs are set to provide a new revenue stream for MISC as it enters the South American region, in consideration of an upscaling in the upstream development within its offshore blocks, we opine that production will not take place immediately, hence we are not factoring in the revenue for MISC at this juncture. Additionally, the uncertainties in crude oil prices as well as the regional conflict in the Middle East continued to pose a risk to offshore vessels.
- As such, we maintain our **NEUTRAL** call on MISC, with a **target price of RM7.37**. Our target price is based on the PER 13.8x to the revised EPS24 of 53sen. 

INVESTMENT STATISTICS

Income Statement	2021A	2022A	2023F	2024F	2025F
Revenue	10,671.7	13,867.0	13,448.1	14,734.1	15,629.5
Gross Profit	2,617.5	3,707.2	3,631.0	3,978.2	4,532.6
Net Operating Expenses	(669.1)	(605.2)	(174.8)	(191.5)	(203.2)
Operating Profit	1,948.4	3,102.0	3,456.2	3,786.7	4,329.4
Net one off gains/(losses)	243.6	(576.5)	(50.0)	0.0	0.0
Finance costs	(417.3)	(651.2)	(700.0)	(600.0)	(500.0)
Profit/(Loss) before tax	1,774.7	1,874.3	2,706.2	3,186.7	3,829.4
Taxation	(41.1)	(39.3)	(129.9)	(111.5)	(88.1)
PAT	1,733.6	1,835.0	2,576.3	3,075.1	3,741.3
PATAMI	1,831.3	1,822.9	2,576.3	3,075.1	3,741.3
Core Earnings	1,888.4	1,717.5	1,947.7	2,380.1	2,963.1
EPS	0.41	0.41	0.44	0.53	0.66
Dividends Yield	1.8%	4.6%	5.0%	5.9%	7.2%

Source: Company, MIDFR

SHARE PRICE CHART



Source: Company, Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology