



## MISC Berhad

(3816 | MISC MK) Main | Transportation & Logistics

### Robust Upstream Market Boosted Earnings In 1QFY24

#### KEY INVESTMENT HIGHLIGHTS

- **MISC's 1QFY24 core earnings up +55%yoy; above expectations**
- **Higher profit from increased vessel deliveries, higher engineering and marine activities**
- **Improved charter rates, higher trade demand, clean energy initiatives to support MISC moving forward**
- **Maintain BUY with revised target price of RM9.75**

**Maintain BUY, revised TP: RM9.75.** MISC Berhad (MISC)'s 1QFY24 core earnings came in above our yearly earnings estimates at 36% and consensus' at 35%. As such, we maintain a **BUY** call with a revised **target price to RM9.75** (previously RM8.48). We revised our earnings estimates in consideration to the robust outlook for the LNG shipping business following seasonal demand, as well as strong demand for tankers and FPSOs following the anticipation of Brent crude oil to remain elevated and stable in CY24.

**1QFY24 normalised earnings up +55%yoy.** MISC's 1QFY24 normalised earnings adjusted gained +54.5%yoy to RM840.3m. Meanwhile, 1QFY24 revenue added +18.2%yoy to RM3.6b.

**Gas Assets & Solutions.** 1QFY24 revenue added +2.6%yoy to RM2.6m, but operating income slipped -6.2%yoy to RM361.1m. The higher revenue was primarily driven by the translational impact from weakening MYR against USD. Meanwhile, the lower income was due to lower earning days from contract expiries and vessel disposals, as well as higher vessel operating costs.

In the LNG shipping segment, rates softened in the 1QCY24 due to seasonally weak demand and inventory buildup in Europe and Northeast Asia market. The prospects for LNG shipping market remain positive as spot rates are anticipated to gradually improve in line with seasonal demand. Moving forward, overall operating income for this segment is anticipated to remain stable.

**Petroleum & Product Shipping.** 1QFY24 revenue added +12.1%yoy to RM1.4b, and operating income added +24.8%yoy to RM390.1m. The higher performance of this segment was attributable to higher earning days achieved, following increased vessel deliveries.

Market rates have remained robust amid an increase in tonne-mile demand driven by growing long-haul Atlantic exports, notably from the US, Brazil and Guyana. Tanker supply demand remain favourable, and as such, MISC is expected to continue to invest in dual-fuel assets and focus on operational excellence.

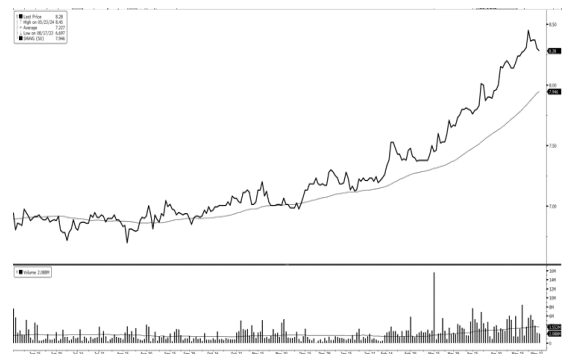
## Maintain BUY

**Revised Target Price: RM9.75**  
(Previously RM8.48)

#### RETURN STATISTICS

Price @ 30 <sup>th</sup> May 2024 (RM)	8.48
Expected share price return (%)	+15.0
Expected dividend yield (%)	+5.3
Expected total return (%)	+20.3

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.0	2.2
3 months	8.0	5.4
12 months	13.9	-0.8

#### INVESTMENT STATISTICS

FYE Dec	2024F	2025F	2026F
Revenue	15,318	16,286	17,217
Operating Profit	3,800	3,958	4,185
Profit Before Tax	3,020	3,136	3,287
Core PATAMI	2,911	3,013	3,185
Core EPS	0.65	0.67	0.71
DPS	0.45	0.45	0.48
Dividend Yield	5.3%	5.4%	5.6%

#### KEY STATISTICS


FBM KLCI	1604.26
Issue shares (m)	4463.75
Estimated free float (%)	20.92
Market Capitalisation (RM'm)	36959.81
52-wk price range	RM6.94 - RM8.49
3-mth average daily volume (m)	3.61
3-mth average daily value (RM'm)	28.49
Top Shareholders (%)	
Petroleum Nasional Bhd	51.0
Employees Provident Fund	11.7
Amanah Saham Nasional Bhd	7.3

**Offshore Business.** 1QFY24 revenue slipped -9%yoy to RM531.7m, while operating income fell -12.1%yoy. The lower performance for this segment was due to lower recognition of revenue from the conversion of an FPSO unit following lower project progress.

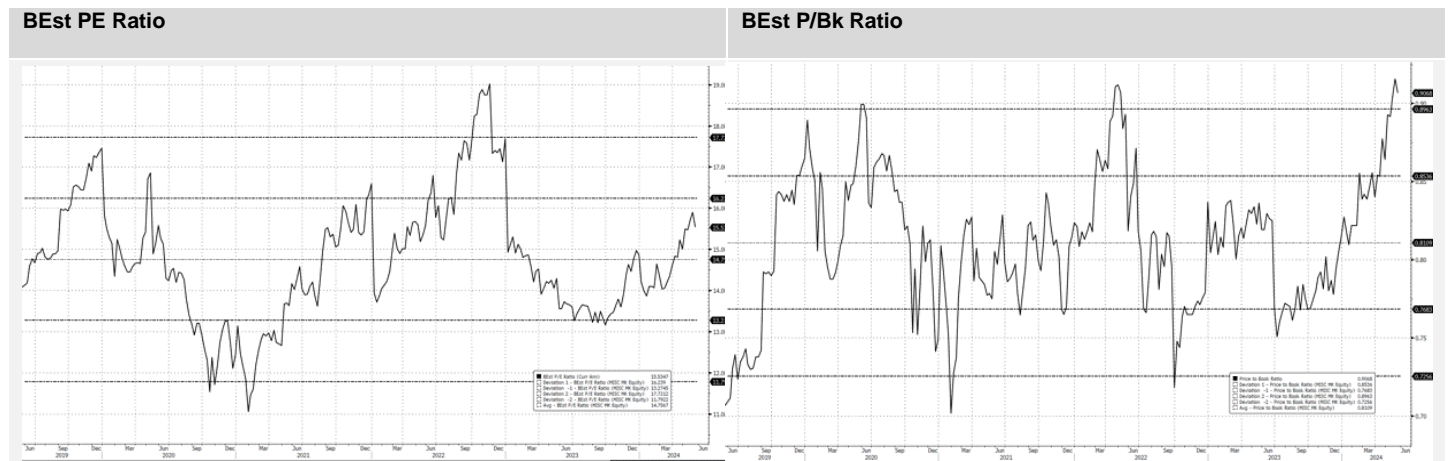
Global upstream capex spending is expected to remain sanguine amid the elevated Brent crude oil price. As such, demand for FPSOs is anticipated to remain robust throughout CY24, driven by the increase in global oil demand and planned projects mainly from Brazil, Africa and Asia-Pacific. This segment's secured revenue stream from its long-term contracts will continue to provide stable support for its financial performance.

**Marine & Heavy Engineering.** 1QFY24 revenue surged +98.4%yoy to RM984.5m, and operating income increased by +105.7%yoy to RM14.4m. The higher revenue from ongoing Heavy Engineering projects and Marine sub-segment contributed to the improved performance of this segment.

MISC shared that its Heavy Engineering sub-segment aims to broaden its customer base and capitalise on potential opportunities both in conventional and clean energy spaces. Meanwhile, the Marine sub-segment will benefit from conversion projects arising from greater demand for upstream activities. Nevertheless, we opine the segment will continue its efforts to mitigate risks arising from the supply chain disruptions and price volatility.

**Revised earnings estimates.** In consideration that the 1QFY23 earnings came in above our expectations, we revise our earnings forecast for FY24 and FY25 upward by +23% and +3% respectively. As such, we revised our **target price to RM9.75**, by pegging a new PER of 15.6x to revised EPS24 of 65sen. The PER is the marine and shipping industry's 3-Year PER. All in all, we reiterate our positive stance for MISC's future endeavours, leveraging on the robust upstream activities and the anticipated demand growth for LNG and petroleum products in CY24. 

**FORWARD BAND**



Source: Bloomberg, MIDFR

## MISC: 1QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
	1QFY24	4QFY23	1QFY23	QoQ	YoY	3MFY24	3MFY23	YoY
<b>Income Statement</b>								
Revenue	3,638.3	4,278.3	3,078.7	-15.0%	18.2%	3,638.3	3,078.7	18.2%
Cost of Sales	(2,573.6)	(3,175.8)	(2,186.4)	19.0%	-17.7%	(2,573.6)	(2,186.4)	-17.7%
Gross Profit	1,064.7	1,102.5	892.3	-3.4%	19.3%	1,064.7	892.3	19.3%
Net Operating Expenses	(182.7)	(227.8)	562.6	19.8%	-132.5%	(182.7)	562.6	-132.5%
Operating Profit	882.0	874.7	1,454.9	0.8%	-39.4%	882.0	1,454.9	-39.4%
Net one off gains/(losses)	83.9	(21.5)	(21.6)	>100%	>100%	83.9	(21.6)	>100%
Finance costs	(194.8)	(190.9)	(176.3)	-2.0%	-10.5%	(194.8)	(176.3)	-10.5%
Profit/(Loss) before tax	771.1	662.3	1,257.0	16.4%	-38.7%	771.1	1,257.0	-38.7%
Taxation	(17.3)	(35.0)	(16.6)	50.6%	-4.2%	(17.3)	(16.6)	-4.2%
PAT	753.8	627.3	1,240.4	20.2%	-39.2%	753.8	1,240.4	-39.2%
Minority Interest	6.1	0.0	1.9	-	>100%	6.1	1.9	>100%
<b>PATAMI</b>	759.9	627.3	612.9	21.1%	24.0%	759.9	612.9	24.0%
Core Earnings	840.3	575.8	544.0	45.9%	54.5%	840.3	544.0	54.5%

## SEGMENTAL BREAKDOWN

Revenue	1QFY24	4QFY23	1QFY23	QoQ	YoY	3MFY24	3MFY23	YoY
Gas Assets & Solutions	775.3	875.6	755.9	-11.5%	2.6%	775.3	755.9	2.6%
Petroleum & Product Shipping	1,359.4	1,389.8	1,212.2	-2.2%	12.1%	5,030.2	1,212.2	>100%
Offshore Business	531.7	881.5	584.6	-39.7%	-9.0%	2,548.2	584.6	>100%
Marine & Heavy Engineering	984.5	1,118.2	496.2	-12.0%	98.4%	3,309.2	496.2	>100%
<b>Operating Profit/Loss</b>								
Gas Assets & Solutions	361.1	340.8	384.8	6.0%	-6.2%	361.1	384.8	-6.2%
Petroleum & Product Shipping	390.1	422.7	312.5	-7.7%	24.8%	390.1	312.5	24.8%
Offshore Business	146.6	187.7	166.7	-21.9%	-12.1%	146.6	166.7	-12.1%
Marine & Heavy Engineering	14.4	10.9	7.0	32.1%	105.7%	14.4	7.0	105.7%

Source: Company, MIDFR

## FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	13,867.0	14,271.7	15,318.4	16,285.8	17,217.2
EBITDA	3,707.2	3,609.9	3,906.2	4,071.5	4,304.3
D&A	3,108.2	2,628.7	2,584.8	2,600.5	2,640.2
EBIT	3,102.0	3,510.8	3,799.8	3,958.37	4,184.7
Net interest	-12.1	164.6	34.5	35.8	37.6
Profit before tax	1,874.3	2,723.1	3,020.5	3,136.5	3,286.8
Tax	-39.3	-134.8	-27.8	-29.6	-31.0
PATAMI	1,822.9	2,123.5	2,957.4	3,071.0	3,218.2
Core PATAMI	1,717.5	1,968.2	2,910.5	3,012.9	3,185.2
Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Fixed assets	24,285.9	25,423.3	26,344.6	26,439.8	27,040.4
Intangible assets	1,001.6	949.1	934.3	953.0	979.8
Others	24,631.9	24,779.4	20,319.2	21,069.9	21,706.7
<b>Non-current assets</b>	<b>49,919.4</b>	<b>51,151.8</b>	<b>47,598.1</b>	<b>48,462.7</b>	<b>49,726.9</b>
Cash	6,406.1	6,545.3	7,217.5	7,495.8	8,526.7
Trade debtors	3,858.6	4,480.5	5,150.2	5,183.4	5,260.8
<b>Current assets</b>	<b>12,744.8</b>	<b>13,908.3</b>	<b>14,383.3</b>	<b>14,783.5</b>	<b>15,860.7</b>
Trade creditors	5,147.6	6,110.6	5,152.5	5,477.9	6,016.1
Short-term debt	3,605.5	1,719.4	2,376.8	2,519.7	2,646.4
<b>Current liabilities</b>	<b>8,767.1</b>	<b>7,943.5</b>	<b>7,618.9</b>	<b>8,086.4</b>	<b>8,745.9</b>
Long-term debt	14,256.0	15,825.6	15,066.0	14,467.0	14,364.8
<b>Non-current liabilities</b>	<b>15,592.9</b>	<b>17,150.8</b>	<b>16,381.5</b>	<b>15,894.5</b>	<b>15,740.7</b>
Share capital	8,923.3	8,923.3	8,923.3	8,923.3	8,923.3
Retained earnings	18,980.0	19,496.4	20,214.1	21,178.8	22,234.1
<b>Equity</b>	<b>38,304.2</b>	<b>39,965.8</b>	<b>37,598.1</b>	<b>38,837.7</b>	<b>40,636.6</b>
Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	1,874.3	2,093.7	2,943.9	3,136.5	3,286.8
Depreciation & amortisation	3,108.2	2,628.7	2,584.8	2,600.5	2,640.2
Changes in working capital	-1,989.0	973.9	381.9	451.8	461.2
<b>Operating cash flow</b>	<b>2,993.5</b>	<b>5,696.3</b>	<b>5,987.1</b>	<b>6,188.7</b>	<b>6,388.2</b>
Capital expenditure	-2,293.5	-2,523.4	-2,522.0	-2,594.2	-2,641.4
<b>Investing cash flow</b>	<b>-1,943.0</b>	<b>-1,866.2</b>	<b>-2,015.5</b>	<b>-2,112.0</b>	<b>-2,220.7</b>
Debt raised/(repaid)	-241.8	-1,248.1	-759.6	-1,492.6	-771.0
Dividends paid	-1,473.0	-1,614.9	-2,030.8	-2,021.4	-2,129.9
<b>Financing cash flow</b>	<b>-1,991.6</b>	<b>-3,920.4</b>	<b>-3,414.9</b>	<b>-3,950.6</b>	<b>-3,334.4</b>
<b>Net cash flow</b>	<b>-941.1</b>	<b>-90.3</b>	<b>556.7</b>	<b>126.2</b>	<b>833.1</b>
<b>Beginning cash flow</b>	<b>6,994.3</b>	<b>6,406.1</b>	<b>6,545.3</b>	<b>7,217.5</b>	<b>7,495.8</b>
<b>Ending cash flow</b>	<b>6,406.1</b>	<b>6,545.3</b>	<b>7,217.5</b>	<b>7,495.8</b>	<b>8,526.7</b>
Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBITDA margin	26.7%	25.3%	25.5%	25.0%	25.0%
PBT margin	13.5%	19.1%	19.7%	19.3%	19.1%
PAT margin	13.1%	14.9%	19.3%	18.9%	18.7%
Core PAT margin	12.4%	13.8%	19.0%	18.5%	18.5%

Source: 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