

MISC Berhad

(3816 | MISC MK) Main | Transportation & Logistics

Maintain BUY


JVA for LCO2C Development Quickens CCUS Solutions

Target Price: RM8.48

DEVELOPMENT

- MISC Bhd has entered into a Joint Venture Agreement (JVA) with PETRONAS CCS Ventures Sdn Bhd (PCCSV) and Mitsui OSK Lines Ltd. (MOL) to establish a joint venture (JV) company.
- The aim of the JV is to procure and own LCO2 carriers to transport LCO2 to CO2 storage sites in Malaysia.

OUR VIEW

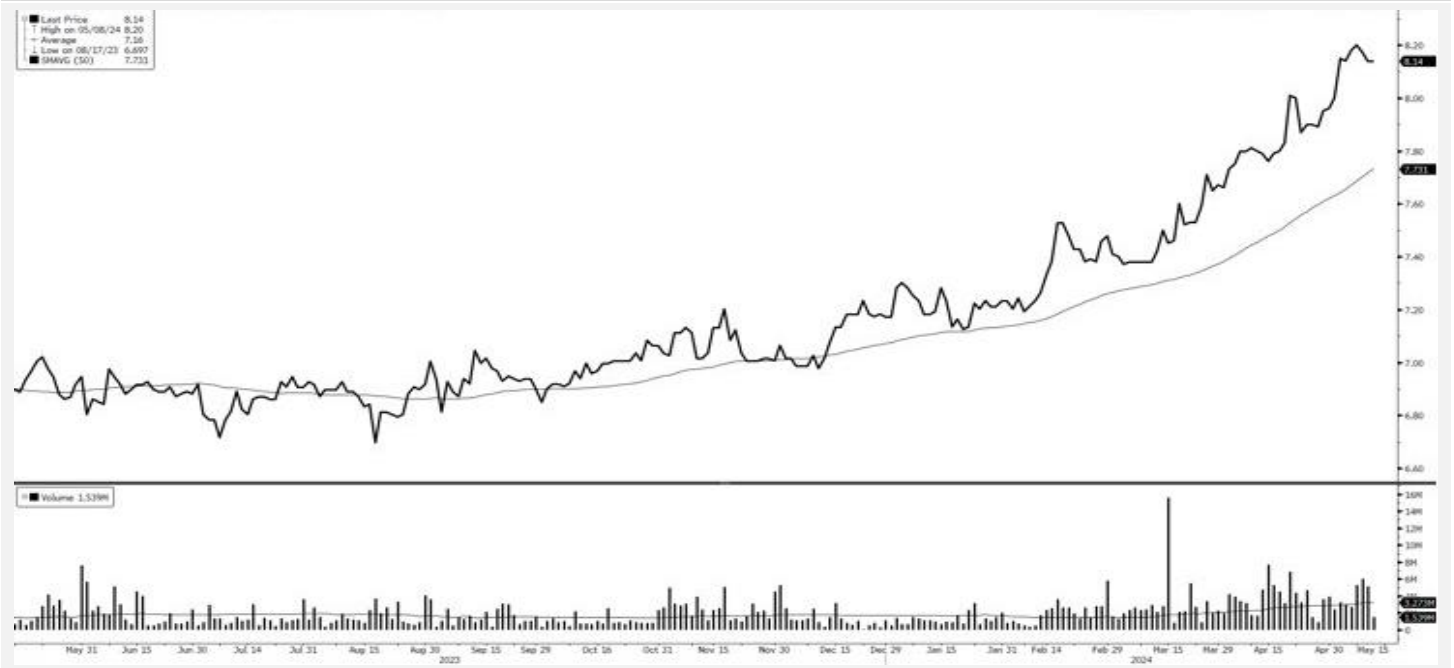
- **Extension from previous MoU.** On 7 Feb 2022, MOL signed a Memorandum of Understanding (MoU) with PETRONAS to study on CO2 transportation for CCS value chain within Asia Pacific and Oceania region. The collaboration aspired for a standardized LCO2 vessel that can be used worldwide, and a vessel that is low carbon.
- **MISC holds 40% stake.** The JV shall have a minimum of 10 shares and with subscription to the shareholding proportion of: (i) 50% MOL, (ii) 40% MISC, and (iii) 10% PCCSV. No final investment decision on the LCO2C under the JVA is announced and the JVA is not expected to have any material impact for FY24.
- **Risks present but manageable.** The risk factors of affecting the JVA include: (i) local and regional economic changes, (ii) shifting political and regulatory environment, and (iii) operational risks. However, we believe that these risks can be mitigated by the JVA.
- **Collaboration to accelerate CCUS solutions.** All in all, we are optimistic of the new JV in collaborating with each group's capabilities to explore business opportunities regarding LCO2 transportation and storage. Given MISC's expertise in shipbuilding, most notably in advanced LNG carriers, we believe the group has the capability to develop LCO2Cs and contribute positively to the JV. Additionally, Carbon Capture and Storage (CCS) projects require partnerships between various energy players to be a feasible project and a potential revenue stream in the long run. The development of these vessels is expected to contribute to MISC's commitment to sustainability and efficient energy transportation, in line with NETR's CCUS solutions. We reiterate our positive stance for MISC's efforts in not only supporting better transportation solutions, but also in its initiative to reduce carbon and sulphur emissions in the industry.
- We make no changes to our forecast projection for MISC at this juncture, pending the group's 1QFY24 earnings result, and maintain our **BUY** call, with a **target price of RM8.48**. 

INVESTMENT STATISTICS

Income Statement	2022	2023	2024F	2025F	2026F
Revenue	13,867.0	14,271.7	15,318.4	16,285.8	17,217.1
Gross Profit	3,707.2	3,609.9	3,829.6	4,071.5	4,304.3
Net Operating Expenses	(605.2)	(99.1)	(106.4)	(113.1)	(119.6)
Operating Profit	3,102.0	3,510.8	3,723.2	3,958.4	4,184.7
Net one off gains/(losses)	(576.5)	(57.2)	(49.1)	(42.4)	(36.2)
Finance costs	(651.2)	(730.5)	(730.3)	(779.5)	(861.8)
Profit/(Loss) before tax	1,874.3	2,723.1	2,943.9	3,136.5	3,286.8
Taxation	(39.3)	(134.8)	(27.8)	(29.6)	(31.0)
PAT	1,835.0	2,588.3	2,916.0	3,106.9	3,255.7
PATAMI	1,822.9	2,123.5	2,916.0	3,106.9	3,255.7
Core Earnings	1,717.5	1,968.2	2,374.4	2,931.4	3,185.2
EPS	0.41	0.48	0.53	0.66	0.71
Dividends Yield	4.6%	4.8%	4.4%	5.2%	5.6%

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