

MISC Berhad

(3816 | MISC MK) Main | Transportation & Logistics

Maintain BUY


Three LNGC newbuilds for LNG future demand

Target Price: RM8.48

DEVELOPMENT

- MISC Berhad's indirect wholly-owned subsidiaries – Polaris LNG Five Pte. Ltd., Polaris LNG Six Pte. Ltd. and Polaris LNG Seven Pte. Ltd. – have signed Time Charter Parties (TCPs) with QatarEnergy for the time charter of 3 newbuild LNGCs.
- The vessels will be built by Samsung Heavy Industries Co. Ltd. (SHI) and will be chartered by QatarEnergy for 15 years from CY26 onwards.

OUR VIEW

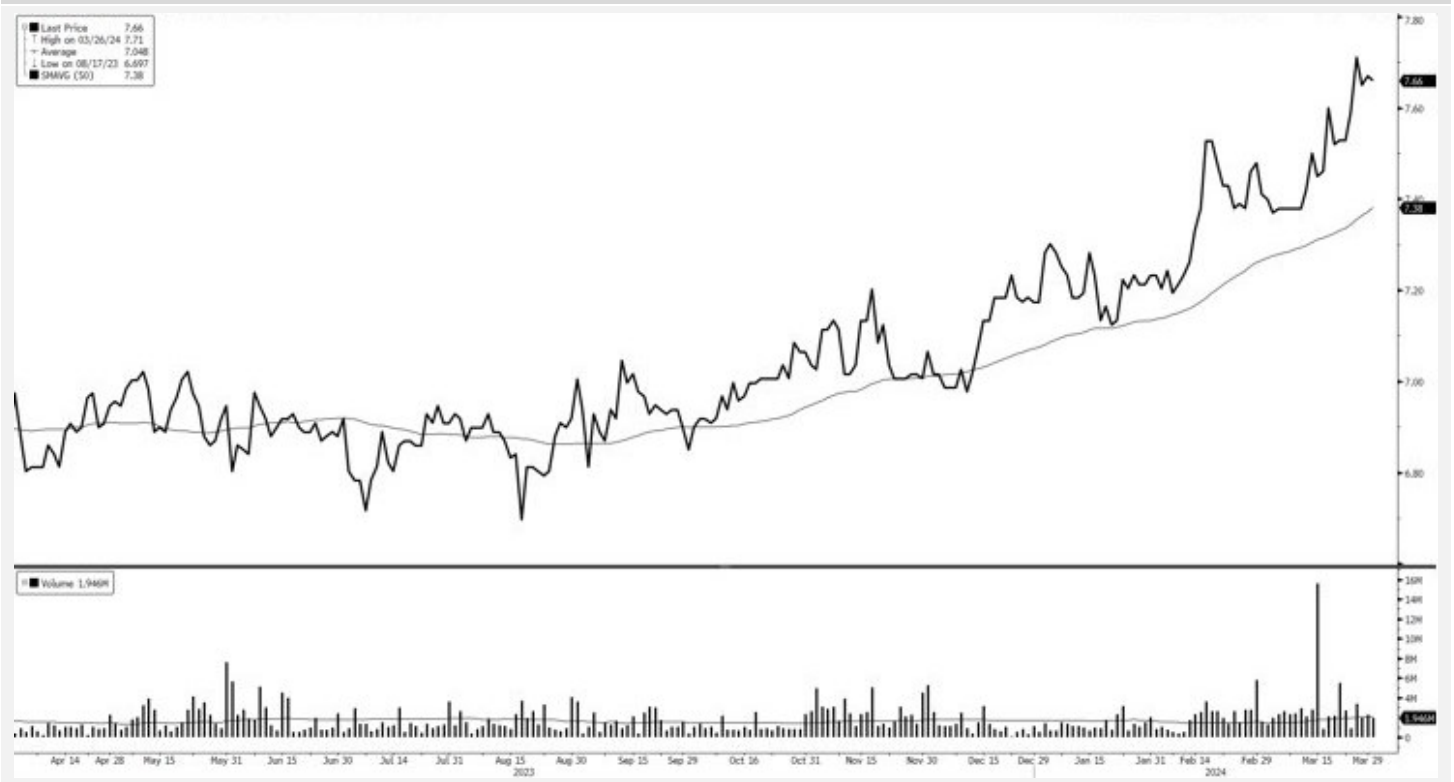
- **No financials announced.** In the announcement of the 3 newbuilds, MISC had not issued the approximate cost of the vessels. Additionally, the TCPs have no financial effect for FY24. As guidance, LNGC takes roughly USD70m-150m to be built, with a charter rate of about USD130,000 per day.
- **Challenges present internally and externally.** The risk factors affecting the TCPs include: (i) commercial risk, (ii) project execution by cost and/or time, (iii) geopolitical tensions, and (iv) operational risks. Nevertheless, we believe MISC will take appropriate measures to offset these risks, given its expertise in shipbuilding and managing petroleum-related tankers and carriers.
- **LNG future demand promising.** All in all, we believe that the request for LNGCs by QatarEnergy, one of the largest oil and gas company in the world by oil and gas reserves, is a sign that LNG demand is poised to continue its growth trajectory in the foreseeable future. This based on the fact that many industries, especially utilities and transportation sectors, are seeking cleaner fuel for its operations. Natural gas is one of the cleanest fossil fuel as it emits 38% lesser CO₂ and 100% lesser SO₂ upon burning, as compared to crude oil. Due to its high energy efficiency and beneficial emission characteristics, LNG serves as a transition fuel. Additionally, the development of hydrogen from natural gas as a reliable source of energy under NETR and NIMP 2030 supports the demand for more LNG utilisation in the future, regionally and globally.
- Considering that this project will be commencing in CY26, we make no changes to our forecast projection for MISC. We 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