26 September 2017 | Corporate Update

MISC Berhad

Exiting the tank terminals business

***Maintain* NEUTRAL**

***Unchanged* Target Price (TP): RM7.43**

INVESTMENT HIGHLIGHTS

- **Selling its tank terminal stake to Dialog**
- **No longer involved in the tank terminals business**
- **Minimal earnings impact**
- **Maintain NEUTRAL with reduced TP of RM7.43**

Selling its tank terminal stake to Dialog. MISC announced that it has agreed to dispose its 36% effective stake in its tank terminal business Dialog Group Berhad for RM193m. Under the tank terminal business, MISC's joint-venture company operates the Langsat Terminal 1 and 2 facilities comprising of 42 oil tanks with total storage capacity of 647k cubic meters. The segment offers bulk liquid storage and handling facilities for the oil & gas and petrochemical industry.

No longer involved in the tank terminals business. The latest disposal follows an earlier exit of its 50% stake in tank terminal operator VTTI B.V. (VTTI) for US$830m in August 2015. MISC's intention to dispose assets which it views as non-core is well known, in order to place greater focus on its core energy transportation business. This marks MISC's exit of the tank terminal business, having ventured into the business via the Langsat Terminal facilities in 2009 and its investment in VTTI in 2010.

Minimal earnings impact. We do not expect the disposal to significantly impact MISC's earnings, as the disposal consideration of RM193m represents less than 0.4% of MISC's total assets. In addition, earnings contribution from the segment had not been meaningful to MISC which derives the bulk of its earnings from its core LNG, petroleum, offshore and heavy engineering businesses.

Maintain NEUTRAL with TP of RM7.43. Our target price is pegged to a 0.9x price-to-book which is -1.5 standard deviations below its 5-year average amid the challenging overcapacity environment. Factors that could prompt us to revise our call on MISC include a change in supply-demand dynamics in the LNG & petroleum transportation market and the securing of sizable projects in the offshore segment.

RETURN STATS	
Price (25 Sep 2017)	RM7.38
Target Price	RM7.43
Expected Share Price Return	+0.6%
Expected Dividend Yield	+3.8%
Expected Total Return	**+4.4%**

STOCK INFO	
KLCI	1,777.94
Bursa / Bloomberg	3816 / MISC MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	4,463.8
Market cap. (RM'm)	32,942.79
Price over NA	0.90
52-wk price Range	RM7.03 - RM7.9
Beta (against KLCI)	0.95
3-mth Avg Daily Vol	1.05m
3-mth Avg Daily Value	RM7.78m
Major Shareholders	
Petronas	62.67%
PNB	6.20%
EPF	4.41%

INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17F	FY18F	FY19F
Revenue (RM' m)	10,908.4	9,597.2	10,252.0	10,559.6	10,876.3
EBIT (RM' m)	2,746.9	3,011.6	2,346.6	2,417.0	2,489.5
Pretax Profit (RM' m)	2,566.9	2,814.0	2,105.6	2,168.8	2,233.9
Net Profit (RM' m)	3,097.0	1,883.0	2,105.6	2,168.8	2,233.9
EPS (sen)	69.4	42.2	45.8	48.6	50.0
EPS growth (%)	75.4	-39.2	8.5	3.0	3.0
PER (x)	10.6	17.4	16.0	15.1	14.6
Net Dividend (sen)	30.0	30.0	28.0	30.0	30.0
Net Dividend Yield (%)	4.1	4.1	3.8	4.1	4.1

Source: MIDFR, Company

DAILY PRICE CHART



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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >15% 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.