01 November 2017 | Corporate Update

MISC Berhad

Slowly putting focus on its core

***Upgrade to* BUY**

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

INVESTMENT HIGHLIGHTS

- **Selling its stake in TWL**
- **No longer involved in inland container depot business**
- **Minimal impact in earnings**
- **Upgrade to BUY with unchanged TP of RM7.43**

Selling its stake in TWL. MISC announced that its unit, MISC Enterprises Holdings Sdn Bhd (MEH) will be disposing its 25% stake in Trans-Ware Logistics (Private) Ltd (TWL) to John Keells Holdings PLC (JKH) for a consideration of RM4.2m. TWL is joint venture company owned by MEH, JKH and Keppel Logistics Pte Ltd (KLP). Upon the completion of the corporate exercise, TWL will no longer be an associate company of MISC.

No longer involved in inland container depot business. The container storage and transport operations of TWL have been discontinued back in November 2006, providing ground for such disposal by MEH. Prior to this, MISC exited the tank terminal business via the disposal of a 45% stake in the said business to Dialog Group for RM193m less than two months ago. In view of this, MISC's disposal of its non-core assets would enable greater focus on its core energy transportation business.

Minimal impact on earnings. The disposal consideration of RM4.2m represents less than 0.1% of MISC's total assets which is very small. Henceforth, we think that the disposal will not significantly impact MISC's earnings. Nonetheless, such corporate exercise is an initiative undertaken by MISC to slowly provide emphasis on its core businesses.

Upgrade to BUY with unchanged TP of RM7.43, amid a retreating share price trend. We maintain our TP of RM7.43 which is pegged to a 0.9x price-to-book which is -1.5 standard deviations below its 5-year pending its 3QFY17 results this Friday. Impetus for us to revisit our TP 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 (31 Oct 2017)	RM6.95
Target Price	RM7.43
Expected Share Price Return	+6.9%
Expected Dividend Yield	+4.0%
Expected Total Return	**+10.9%**

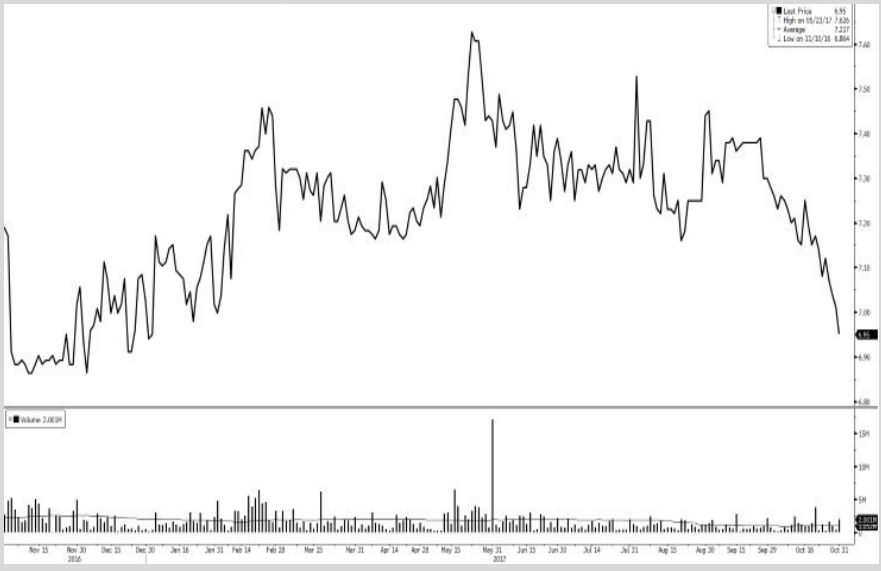
STOCK INFO	
KLCI	1,747.92
Bursa / Bloomberg	3816 / MISC MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	4,463.8
Market cap. (RM'm)	31,023.4
Price over NA	0.85
52-wk price Range	RM6.91 - RM7.90
Beta (against KLCI)	1.05
3-mth Avg Daily Vol	1.07m
3-mth Avg Daily Value	RM7.78m
Major Shareholders	
Petronas	62.67%
EPF	6.18%
Skim ASB	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	15.2	14.3	13.9
Net Dividend (sen)	30.0	30.0	28.0	30.0	30.0
Net Dividend Yield (%)	4.1	4.1	4.0	4.3	4.3

Source: MIDFR, Company

DAILY PRICE CHART



Source: Bloomberg

Adam Mohamed Rahim
adam.mrahim@midf.com.my
03-2772 1686

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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 *rise* 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 *fall* 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.