MISC Berhad

(3816 | MISC MK) Main | Transportation & Logistics

***Maintain* NEUTRAL**

Two LNGCs sailed away to Exxonmobil

Target Price: RM7.77

DEVELOPMENT

- MISC delivered two LNG carriers – Seri Damai and Seri Daya – to Exxonmobil's subsidiary, SeaRiver Maritime.
- These green and energy efficient vessels were built by Samsung Heavy Industries and will be handled by Eaglestar Shipmanagement.

OUR VIEW

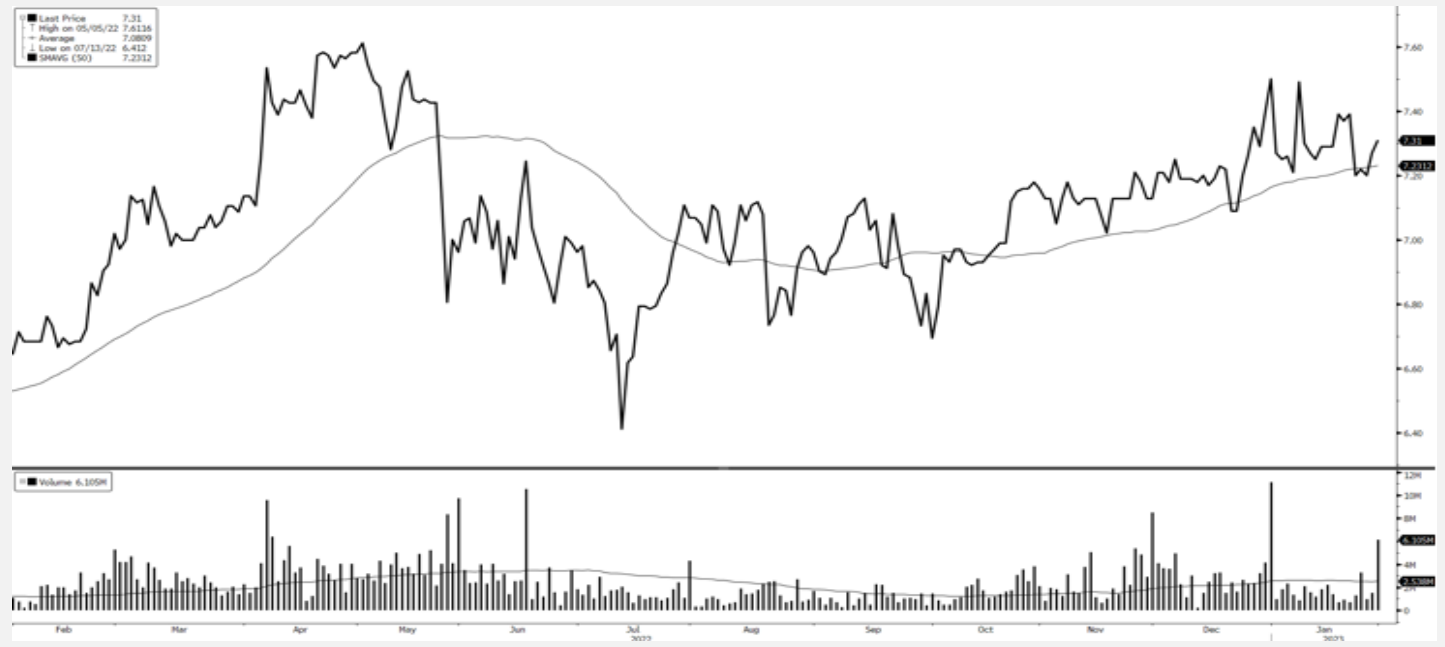
- **New LNGCs**. MISC recently welcomed Seri Damai and Seri Daya – two of its latest LNG carriers (LNGC) have joined the group's LNGC fleet. These 174,000 CBM LNGCs were built by Samsung Heavy Industries Co., Ltd. (SHI) and feature cutting-edge and environmentally friendly technologies. These LNGCs will be managed by Eaglestar Shipmanagenent (S) Pte.Ltd. (Eaglestar), and will be on long-term charters to ExxonMobil's wholly-owned subsidiary, SeaRiver Maritime LLC (SRM).
- **Continuous collaboration.** The delivery signals a strong start to the year for the group and is a key milestone in its collaboration with SRM, as well as its continuous partnerships with SHI, Eaglestar and its own Gas Assets and Solutions (GAS) team. It also represents a step forward in supporting a net-zero future for the LNG industry.
- **Additional capacity.** Seri Damai and Seri Daya will now add on to MISC's fleet strength, which currently consists of 31 LNG carriers for its Gas Business, in addition to six Very Large Ethane Carriers (VLECs) and two LNG Floating Storage Units (FSUs), which has a combined deadweight tonnage (dwt) capacity of over 2 mT.
- **Positive prospects.** We opine that given MISC's track record with LNGCs long-term charters as well as the strong demand in LNG globally, MISC is set to continue its robust performance and positive future prospects in the Oil and Gas shipping subindustry.
- The additional vessels have been factored in and considering their long-term operations, we make no changes to our earnings estimates as this juncture. Overall, we continue to like MISC as its medium to long term growth plans stay intact, in line with the demand growth for LNG post-pandemic and the heightened tension in the Russia-Ukraine front.
- We maintain our **NEUTRAL** call on MISC with a **target price of RM7.77.** Our target price is pegged on a PER of 21x to an EPS23 of 37sen.

INVESTMENT STATISTICS

Income Statement	2020A	2021A	2022F	2023F	2024F
Revenue	9,401.2	10,671.7	12,725.2	13,326.3	13,708.0
Cost of sales	(6,521.4)	(8,054.2)	(9,289.4)	(9,994.7)	(10,281.0)
Gross profit	2,879.8	2,617.5	3,435.8	3,331.6	3,427.0
Net operating expenses	(862.5)	(669.1)	(763.5)	(693.0)	(795.1)
Operating profit	2,017.3	1,948.4	2,672.3	2,638.6	2,631.9
Net one off gains/(losses)	(1,772.8)	243.6	(500.0)	(400.0)	(350.0)
Finance costs	(368.1)	(417.3)	(630.0)	(550.0)	(500.0)
Profit/(Loss) before tax	(123.6)	1,774.7	1,542.3	1,688.6	1,781.9
Taxation	(46.2)	(41.1)	(15.4)	(16.9)	(17.8)
PATAMI	(43.0)	1,831.3	1,526.9	1,671.7	1,764.1
EPS	-0.01	0.41	0.34	0.37	0.40
Dividends yield	4.5%	1.8%	1.3%	1.6%	1.8%

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 *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.
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