MISC Berhad

(3816 | MISC MK) Main | Transportation & Logistics

***Maintain* BUY**

New financing of USD527m for 6 VLECs

Unchanged Target Price: RM8.16

DEVELOPMENT

- MISC obtained an 11-year term loan to finance 6 very large ethane carriers (VLECs) from Standard Chartered.
- The financing of the VLECs is in line with MISC's commitment for cleaner transport solutions and in achieving net-zero greenhouse gas emissions by 2050.

OUR VIEW

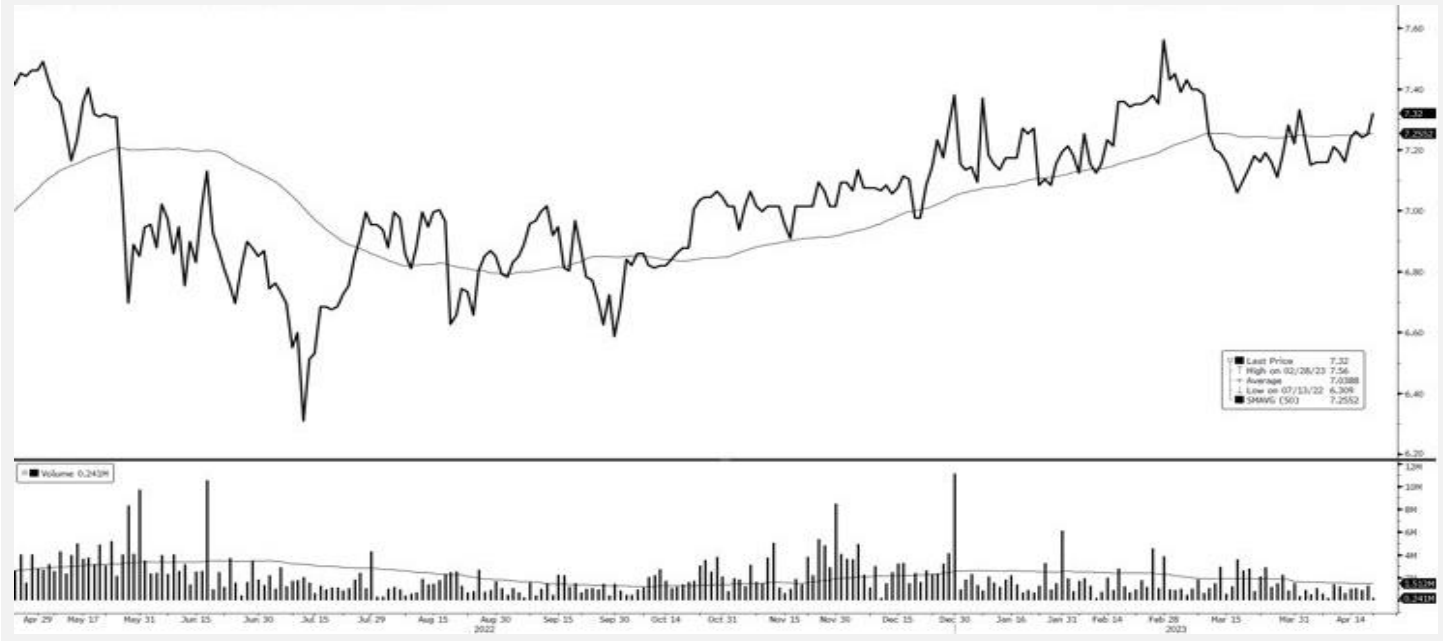
- **Loans to secure VLECs**. MISC Bhd (MISC) has entered into a USD527m (approx. RM2.3b) syndicated loan facility to finance 6 very large ethane carriers (VLECs). The term loan is a 11-year sustainable-linked non-recourse term loan is the group's debut sustainability-linked loan (SLL) and is structured to align with its long-term business strategy and sustainability aspirations.
- **Standard Chartered as coordinators.** MISC via its Singapore-based subsidiaries - Seri Everest, Seri Erlang, Seri Emei, Seri Emory, Seri Elbert, and Seri Emperor - inked the syndicated loan facility with Standard Chartered. Meanwhile, Korea Development Bank, Sumitomo Mitsui Banking Corporation, Labuan Branch, DBS Bank Ltd, Export-Import Bank of Malaysia Bhd, MUFG Bank Ltd, Singapore Branch, as well as an undisclosed lender acted as mandated lead arrangers.
- **ESG Commitment.** This term loan is in line with MISC's commitment in achieving net-zero greenhouse gas emissions by 2050 and as well as its contribution to a carbon-neutral economy by transitioning to low-carbon, and eventually zero-carbon, emissions transport solutions. The VLECs are expected to meet the ESG key performance indicators (KPIs) set by the International Maritime Organisation (IMO) and the Poseidon Principles. The carriers will also be used to measure the carbon intensity of the group's Gas Assets & Solutions fleet.
- **Positive prospects.** VLECs are used to mainly transport ethane and liquid petroleum gas (LPG). VLECs are considered one of the most sustainable sea transport vehicle, as it often reuse its cargo for fuel; eradicating the need for the burning of high-carbon diesel. We opine that securing this SLL for the VLECs is in par with MISC's drive to improve its ESG performance and decarbonisation strategies.
- In consideration that this term loan is still in the early stages, we make no changes to our earnings estimates. Overall, we continue to like MISC as it medium to long term growth plans stay intact, in line with the increasing interest in clean and sustainable carriers and the demand growth for petroleum products.
- We maintain our **BUY** call on MISC, with an unchanged **target price of RM8.16.** Our target price is pegged on a PER of 16x to a revised EPS23 of 51sen.

INVESTMENT STATISTICS

Income Statement	2021A	2022A	2023E	2024F	2025F
Revenue	10,671.7	13,867.0	14,750.7	15,815.8	17,108.1
Cost of sales	(8,054.2)	(10,159.8)	(10,325.5)	(11,545.5)	(12,831.1)
Gross profit	2,617.5	3,707.2	4,425.2	4,270.3	4,277.0
Net operating expenses	(669.1)	(605.2)	(737.5)	(790.8)	(855.4)
Operating profit	1,948.4	3,102.0	3,687.7	3,479.5	3,421.6
Net one off gains/(losses)	243.6	(576.5)	(500.0)	(300.0)	0.0
Finance costs	(417.3)	(651.2)	(650.0)	(550.0)	(500.0)
Profit/(Loss) before tax	1,774.7	1,874.3	2,537.7	2,629.5	3,421.6
Taxation	(41.1)	(39.3)	(25.4)	(26.3)	(34.2)
PATAMI	1,733.6	1,835.0	2,512.3	2,603.2	3,387.4
EPS	0.41	0.41	0.56	0.58	0.76
Dividends yield	1.8%	1.6%	2.4%	2.6%	3.9%

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