MISC Berhad

(3816 | MISC MK) Main | Transportation & Logistics

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Corporate Update

Maintain NEUTRAL

Unchanged Target Price **RM8.13**

MISC Enters the CCS Sector

MISC Berhad has officially announced its entry into the Carbon Capture and Storage (CCS) sector. Through a joint venture with Japan's Kawasaki Kisen Kaisha, Ltd ("K" Line), the group secured a 10-year time charter agreement for a newbuild 12,000 cubic metre liquefied carbon dioxide (LCO2) carrier. This move aligns with MISC's long-term strategy to expand its portfolio into low-carbon and transition-enabling maritime solutions.

The new LCO_2 carriers are scheduled for delivery between 2H2028 and 1H2029 and will support Phase 2 of the Northern Lights Project, which forms part of Longship, the Norwegian government's full-scale carbon capture and storage (CCS) initiative. The project involves cross-border transportation of carbon dioxide from European emitters to permanent offshore storage sites in Norway

While financial details of the contract were not disclosed, we do not expect the charter to have a material impact on earnings in the near term, as the LCO_2 carrier is only scheduled to come on stream from 2028 onwards. That said, the contract provides MISC with some exposure to the growing carbon capture and storage (CCS) industry, which is expected to benefit from increasing regulatory pressure and a stronger push by corporates towards ESG-aligned operations. Over the longer term, we view this as earnings-enhancing for the group, as CCS-related shipping demand is likely to expand alongside global decarbonisation efforts.

No changes to earnings estimates. Given that this segment will only start contributing from 2028, we make no changes to our earnings estimates during FY26. Moving forward, we expected a mixed but ultimately positive outlook for MISC, driven by its diversified business model and opportunities in driving growth for its tankers and FPSOs. Nevertheless, we believe that this positive outlook has been priced in. Hence, given the limited upside, we maintain our **NEUTRAL** call for MISC with a **target price at RM8.13**, pegging on a PER of 15x to EPS25 of 54.2sen. The PER is a slight premium (+0.5SD) from MISC's 1-Y average PER of 14.6x.

RETURN STATISTICS	
Price @ 30th Jan 2025 (RM)	RM8.00
Expected share price return (%)	+1.6
Expected dividend yield (%)	+4.4
Expected total return (%)	+6.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.5	0.2
3months	6.7	0.1
12 months	2.9	1.6

INVESTMENT STATISTICS

FYE Dec (RM m)	2025E	2026F	2027F
Revenue	13,442	13,880	14,555
Operating Profit	2,794	2,938	3,091
Profit Before Tax	2,331	2,358	2,456
Core PATAMI	2,420	2,498	2,620
Core EPS	54.2	56.0	58.7
DPS	36.0	36.0	36.0
Dividend Yield	4.4%	4.5%	5.1%

KEY STATISTICS	
FBM KLCI	1,740.88
Issue shares (m)	4463.75
Estimated free float (%)	38.97
Market Capitalisation (RM'm)	34772.58
52-wk price range	RM6.5 - RM8.0
3-mth average daily volume (m)	2.67
3-mth average daily value (RM'm)	19.91
Top Shareholders (%)	
Petroliam Nasional Bhd	51.00
Employees Provident Fund Board	14.88
Amanah Saham Nasional Bhd	7.46

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FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	14,272	13,238	13,442	13,880	14,555
EBIT	3,511	2,594	2,794	2,938	3,091
PBT	2,723	1,284	2,331	2,358	2,456
Taxation	-135	-50	-23	-24	-25
PAT	2,588	1,233	2,308	2,335	2,431
MI	165	40	48	41	32
PATAMI	2,124	1,194	2,260	2,294	2,399
Core PATAMI	2,374	2,129	2,420	2,498	2,620
EPS (sen)	47.6	47.7	54.2	56.0	58.7
PER (x)	17.1	17.0	15.0	14.5	13.9
DPS (sen)	35.0	36.0	36.0	36.0	36.0
Dividend yield (%)	4.8	5.0	4.4	4.5	5.1

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	2,723	1,284	2,331	2,358	2,456
Depreciation	2,142	2,158	2,336	2,532	2,824
OP pre-WC changes	4,636	4,100	5,202	5,365	5,492
Change in NWC	1,061	177	88	-75	79
Operating cash flow	**5,696**	**4,277**	**5,290**	**5,289**	**5,571**
Capital expenditure	-2,523	-1,813	-2,321	-1,911	-2,543
Investing cash flow	**-1,866**	**-1,192**	**-1,741**	**-1,389**	**-1,952**
Debt raised/(repaid)	-1,248	-1,648	354	-1,024	-1,062
Dividends paid	-1,615	-1,607	-1,641	-1,694	-1,919
Financing cash flow	**-3,920**	**-4,140**	**-3,176**	**-3,109**	**-3,304**
Net cash flow	**-90**	**-1,055**	**373**	**792**	**315**
Beginning cash flow	**6,406**	**7,732**	**6,677**	**7,050**	**7,842**
Ending cash flow	**7,732**	**6,677**	**7,050**	**7,842**	**8,158**

Growth (%)	2023A	2024E	2025F	2026F	2027F
Revenue growth	2.9	-7.2	1.5	3.3	4.9
PBT growth	45.3	-52.9	81.6	1.2	4.1
PATAMI growth	16.5	-43.8	89.4	1.5	4.6
Core PATAMI growth	38.2	-10.3	13.6	3.3	4.9

Profitability Ratios (%)	2023A	2024E	2025F	2026F	2027F
EBIT margin	-0.7	-8.3	-5.8	-5.1	-4.8
PBT margin	19.1	9.7	17.3	17.0	16.9
PATAMI margin	14.9	9.0	16.8	16.5	16.5
Core PATAMI margin	16.6	16.1	18.0	18.0	18.0
ROA	3.6	3.5	3.9	4.0	4.1
ROE	5.9	5.6	6.2	6.3	6.5

Balance Sheet (RM'm)	2023A	2024E	2025F	2026F	2027F
PPE	25,423	23,461	23,446	22,824	22,543
ROU assets	24,779	23,195	23,855	24,591	25,264
Non-current assets	51,152	47,576	48,249	48,395	48,819
Trade receivables	4,481	4,435	4,570	4,580	4,658
Cash & bank balances	7,732	6,677	7,050	7,842	8,158
Current assets	13,908	12,859	13,378	14,231	14,642
Long-term debt	15,826	12,161	12,515	12,492	12,430
Non-current liabilities	17,151	13,046	13,354	13,461	13,413
Short-term debt	1,719	3,333	3,223	3,524	3,612
Trade payables	6,111	5,706	5,677	5,699	5,957
Current liabilities	7,944	9,075	8,978	9,350	9,770
Share capital	8,923	8,923	8,923	8,923	8,923
Reserves	10,866	9,598	9,538	9,459	9,077
Equity	39,966	38,314	39,051	39,774	40,079

Liquidity Ratios (x)	2023A	2024E	2025F	2026F	2027F
Current ratio	1.8	1.4	1.5	1.5	1.5
Quick ratio	1.2	0.9	1.0	1.0	1.0

Leverage Ratios (x)	2023A	2024E	2025F	2026F	2027F
Debt-to-equity	0.6	0.6	0.6	0.6	0.6
Interest coverage	4.8	3.6	4.3	4.4	4.3

Efficiency Ratios (days)	2023A	2024E	2025F	2026F	2027F
Cash conversion cycle	-91	-92	-86	-84	-87
DIO	3	4	4	4	3
DSO	115	122	124	120	117
DPO	209	218	214	208	207

Source: Bloomberg, MBSBR

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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