MISC

(MISC MK EQUITY, MISC.KL)

BUY

(MAINTAINED)

Price: RM7.98
Target Price (% return): RM9.50 (21%)
52-week High/Low: RM9.04/RM7.12

Oil & Gas
Rationale for report: Company Update

Full steam ahead

MISC hosted its Investor Day 2026, and we came away more constructive, with greater conviction in the group's multi-year earnings trajectory and cash-flow resilience. We forecast a 3-year earnings CAGR of 12%, driven by 19 asset additions and stronger contributions from fully-owned LNG carriers, complemented by tanker upside and a growing offshore pipeline. With RM5–5.2bil in operating cash flow, a 6–8% FCF yield and a sustainable c.5% dividend yield, the risk-reward remains compelling.

- **Maintain BUY with TP of RM9.50, offering 21% total return.** Our TP implies 9x FY27F EV/EBITDA and 14x PE, supported by MISC's defensive LNG cash flows, stronger Petroleum earnings momentum and sustainable dividend profile.
- **Petroleum drives near-term upside; Offshore provides the next growth leg.** VLCC rates rose sharply again in late June, while Suezmax rates continued to climb and Aframax rates stabilised above earlier averages. MISC is positioned to capture this strength through its c.30% spot exposure and market-linked contract provisions, while minimum-rate floors within its c.70% term portfolio provide downside protection. Prolonged trade disruptions and longer sailing distances have tightened vessel availability, helping to keep rates elevated. Beyond Petroleum, Offshore growth is supported by a 4.5% CAGR in ultra-deepwater production over 2026–30, with 11 FPSO awards in 2026 (remaining 5 to be awarded), 9 in 2027.
- **Gas anchors a 12% 3-years earnings CAGR.** 19 assets will enter the fleet, with incremental uplift from 7 fully owned LNGC deliveries in 2026-28, vs. only 12 JV vessels delivered YTD. Beyond the current delivery wave, LNGC ordering slows materially while newbuild prices have risen to USD244mil, supporting future charter renewals, raising barriers to entry and strengthening the replacement value. Impairment concerns also appear overdone, with risk increasingly ring-fenced to older steam-turbine tonnage. Rising Asian interest in regional LNG adds visibility for LNG shipping demand.
- **Cash flow supports 5% dividend yield.** We forecast RM5-5.2bil FY26F operating cash flow, equivalent to c.14% of market capitalisation, and a 6–7% FCF yield after

YE to Dec	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	11,146.1	12,963.2	13,686.1	14,694.0
Core net profit (RM mil)	2,282.2	2,652.4	3,062.2	3,203.8
FD Core EPS (sen)	51.1	59.4	68.6	71.8
FD Core EPS growth (%)	6.9	16.2	15.5	4.6
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	38.0	41.6	41.6	41.6
PE (x)	15.6	13.4	11.6	11.1
EV/EBITDA (x)	9.8	10.9	8.5	7.4
Div yield (%)	4.8	5.2	5.2	5.2
ROE (%)	4.7	7.7	8.6	8.7
Net Gearing (%)	19.9	18.5	16.4	13.0

Source: MISC , AmInvestment Bank Bhd.

Analyst (s)

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Key Changes

Target Price:	⇔
EPS:	⇔

Stock and Financial Data

Shares Outstanding (million)	4,463.7
Market Cap (RMmil)	35,620.7
Book Value (RM/Share)	7.77
P/BV (x)	1.0
ROE (%)	4.7
Net Gearing (%)	19.9
Free Float	25.3
Avg Daily Value (RMmil)	23.4

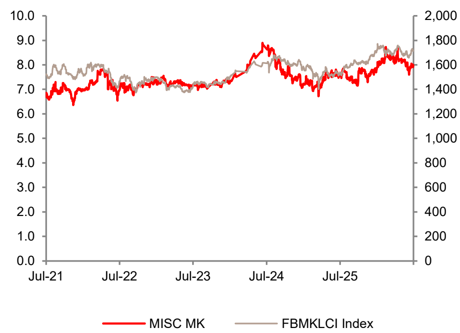
Major Shareholders

Petroliam Nasional	(51.0%)
EPF	(16.3%)
ASN	(7.5%)

Price performance	3mth	6mth	12mth
Absolute(%)	(1.5)	1.3	5.7
Relative(%)	(1.1)	1.6	(5.7)

Source: MISC , AmInvestment Bank Bhd.

Price Chart



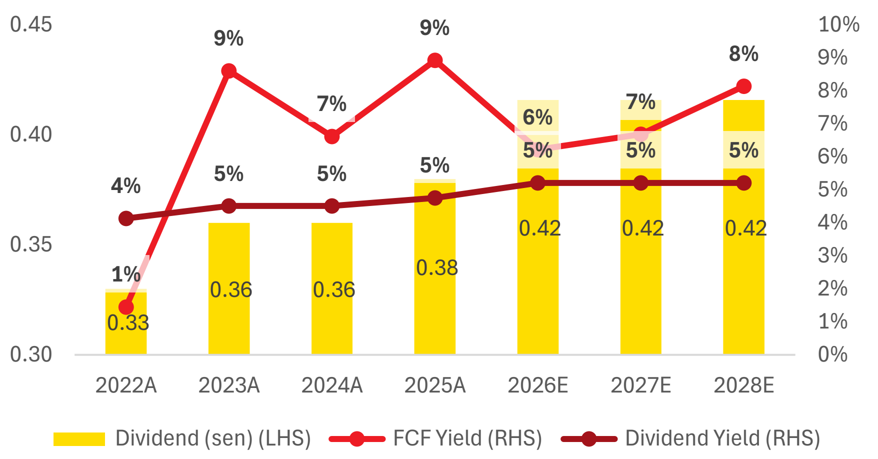
Valuation

EXHIBIT 1. Sum-of-parts

Segment	EV (RM mil)	Per share (RM)	Val. Method	Assumptions
LNG Shipping	16,310	3.65	DCF	WACC:6% TG:1%, Implied EV/EBITDA 9x
Petroleum Tankers	22,705	5.09	EV/EBITDA	9x EV/EBITDA
Offshore				
Offshore - FPSO ex-Mero 3	2,020	0.45	EV/EBITDA	8x EV/EBITDA
Offshore - FPSO Mero 3	3,375	0.76	DCF	WACC: 6%, finite life: 22.5 yr
Offshore - New contracts (Kelidang & PNG)	2,038	0.46	DCF	Kelidang: WACC 6%, yr:12+3 PNG: WACC 7%, yr:15
Offshore - PETGAS FSRU	460	0.10	DCF	20-year; NPV @ 6% WACC, with 10% project IRR
MMHE	214	0.05	66.5% stake	Based on consensus enterprise value
Mid-sized FPSO	1,343	0.30		
Total Enterprise Value	48,465			
Enterprise Value	48,465			
Less: Net Debt	-5,904			
Less: Minority interest	-38			
Equity Value (RM mil)	42,523			
Metric				
Equity Value (RM m)	42,523			
Shares Outstanding (m)	4,464			
Target Price (RM/share)	**9.50**			
Implied FY27EV/EBITDA	9.0			
Implied FY27F PE	13.9			

Source: Company, AmInvestment Bank Bhd.

EXHIBIT 2. Dividend and FCF Yield



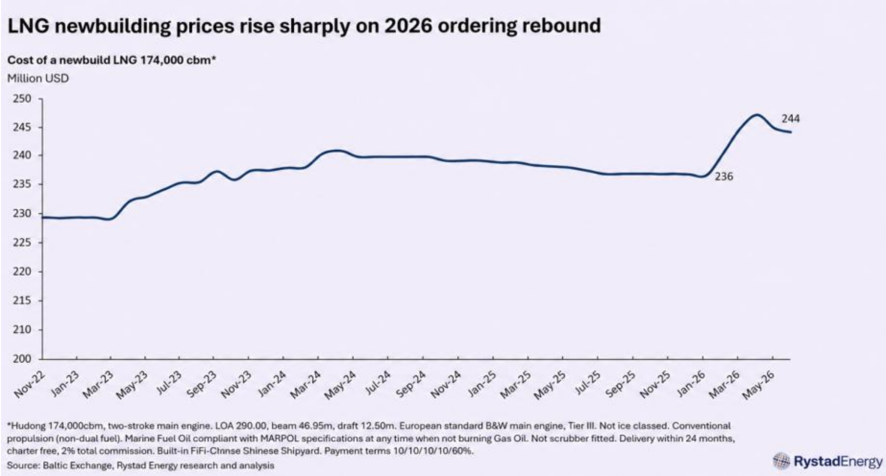
Source: Company, AmInvestment Bank Bhd.

Outlook takeaways

Rising newbuild prices strengthen MISC's LNG fleet value.

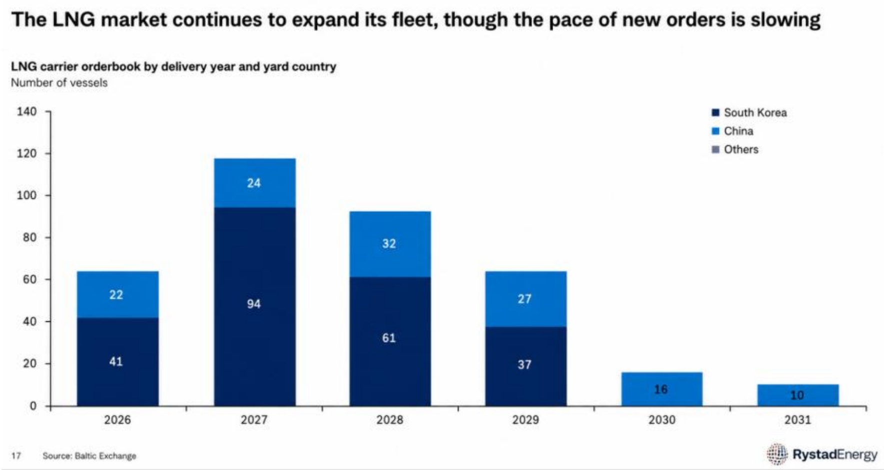
The price of a new 174,000-cbm LNG carrier increased from approximately USD236 million to USD244 million following the 2026 ordering rebound. Higher construction costs and limited shipyard capacity increase barriers to entry and the replacement value of MISC's modern fleet. Combined with slower ordering beyond the current delivery wave, this should limit vessel-supply growth and support charter renewals. Impairment risk is therefore increasingly concentrated in older steam-turbine vessels.

EXHIBIT 3. LNG newbuilding price rise sharply on ordering rebound



Source: Rystad, AmInvestment Bank Bhd.

EXHIBIT 4. LNG market continues to expand its fleet, though pace of new orders is slowing

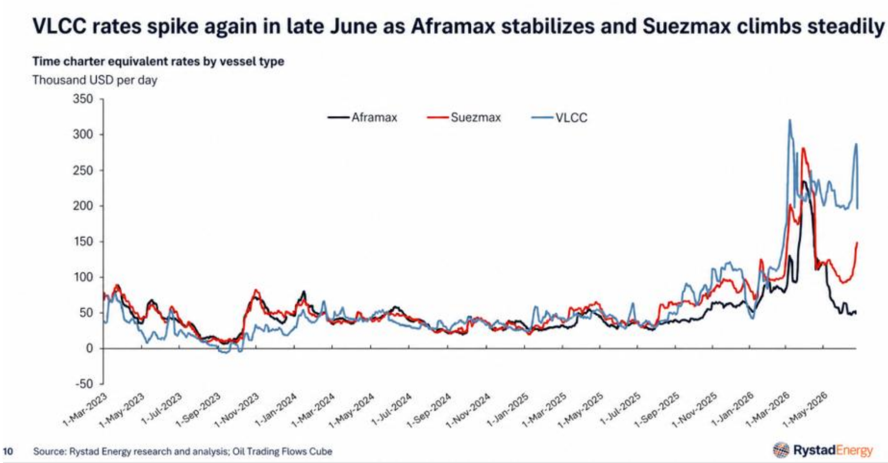


Source: Rystad, AmInvestment Bank Bhd.

Elevated tanker rates provide near-term earnings upside.

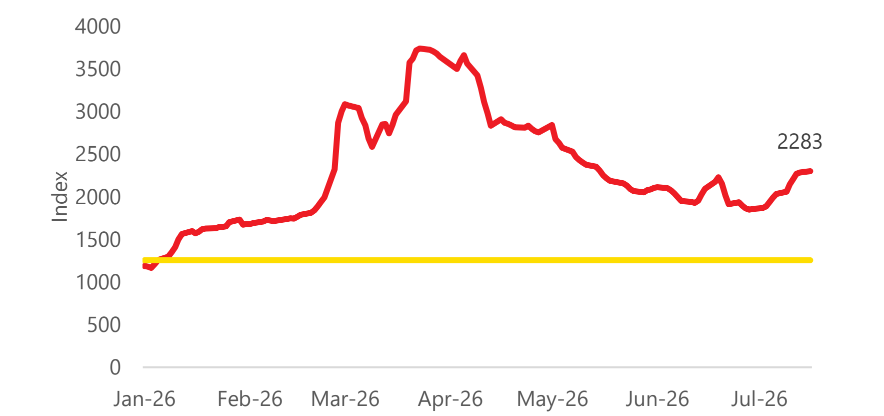
VLCC rates rose sharply again in late June, while Suezmax rates continued climbing and Aframax rates stabilised above earlier averages. MISC can capture this strength through its approximately 30% spot exposure and market-linked contract provisions. Meanwhile, term contracts with minimum-rate floors provide downside protection. Prolonged trade disruption and longer sailing distances could further tighten vessel availability and support rates.

EXHIBIT 5. Tanker strength remains



Source: Rystad AmInvestment Bank Bhd.

EXHIBIT 6. Baltic Dirty Tanker Index 80% above 5-year average, higher than pre-crisis

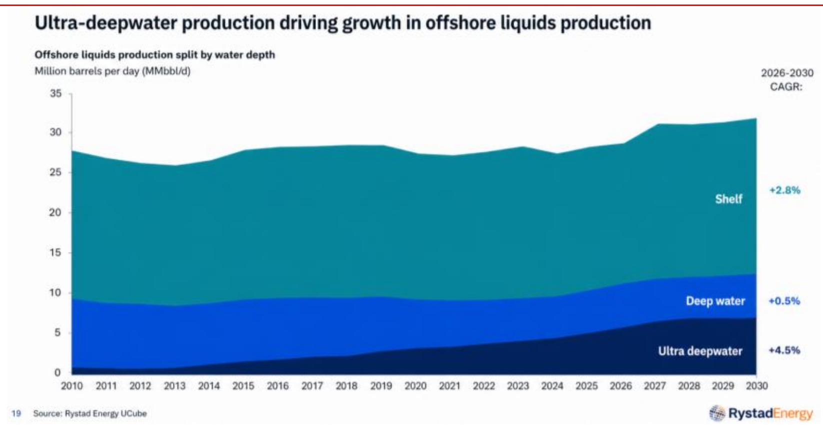


Source: Bloomberg AmInvestment Bank Bhd.

Rapid ultra-deepwater production growth supports MISC's next phase of offshore expansion.

Ultra-deepwater production is expected to grow at a 4.5% CAGR between 2026 and 2030, compared with 2.8% for shelf production and 0.5% for conventional deepwater production. As the fastest-growing offshore segment, ultra-deepwater development should create greater demand for FPSOs and related infrastructure, expanding the opportunity pipeline for MISC's Offshore business.

EXHIBIT 7. Ultra-deepwater production is expected to grow at a 4.5% CAGR between 2026 and 2030

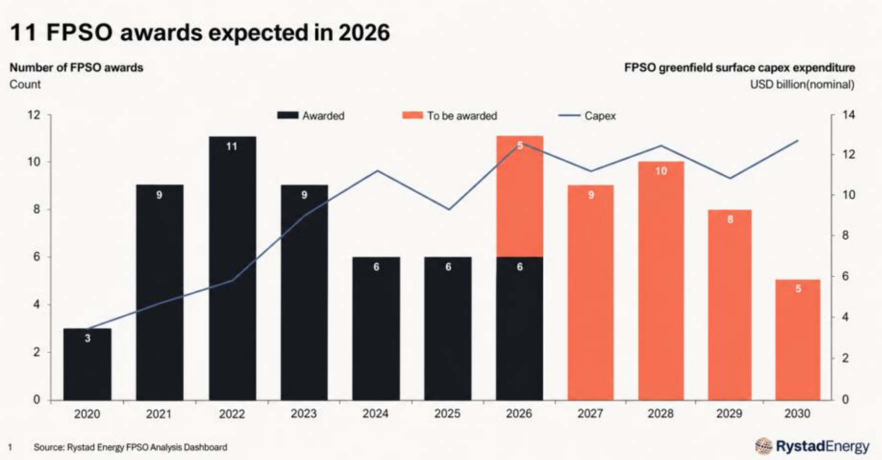


Source: Rystad, AmInvestment Bank Bhd.

A healthy FPSO award pipeline provides visible growth opportunities for MISC's Offshore division.

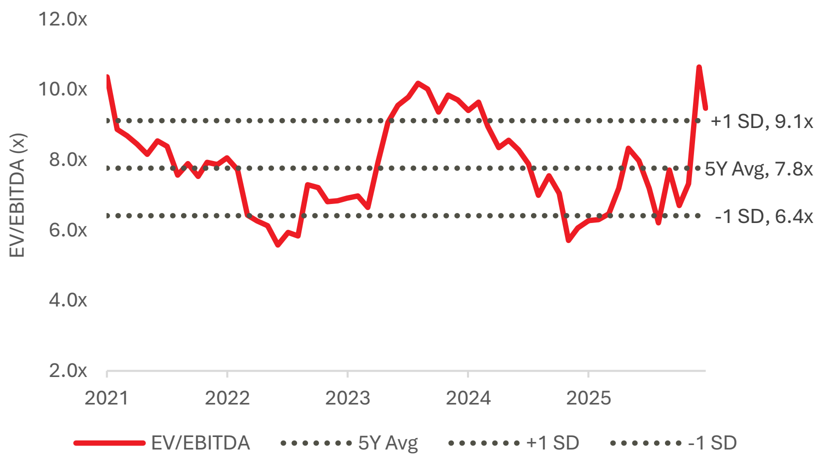
The market is expected to record 11 FPSO awards in 2026, including projects already secured and those still expected to be awarded. Although annual award numbers fluctuate, forecast capital expenditure remains elevated through 2030. This indicates continued investment in offshore projects and creates opportunities for MISC to expand its portfolio of long-term contracted assets.

EXHIBIT 8. 11 FPSO awards in 2026, remaining 5 to be awarded



Source: Rystad, AmInvestment Bank Bhd.

EXHIBIT 9. 1- year forward EV/EBITDA



Source: Bloomberg, AmInvestment Bank Bhd.

Company profile

Founded in 1968, MISC Berhad (MISC) is Malaysia's largest maritime logistics company primarily involved in the transportation of liquefied natural gas (LNG) and petroleum products globally, as well as the charter of offshore floating facilities. It has a fleet of close to 100 vessels including LNG carriers, crude oil tankers, product carriers, and floating production storage and offloading vessels (FPSO/FSO). The group is also exposed to the engineering business through its 66.5%-stake in Malaysia Marine and Heavy Engineering Bhd (MMHE).

MISC is a Petronas-owned company through a 51%-stake and was listed in the main board of Bursa Malaysia in November 2003.

Investment thesis

MISC offers a clean large-cap way to buy lingering energy dislocation. Downside is anchored by c.5% dividend yield and 6–8% FCF yield in FY26-FY28F, while AET provides upside to tanker tightness as Hormuz-related disruption keeps effective vessel supply tight and supports Atlantic Basin tonne-mile demand.

Tanker upside still in play. BDTI has retraced from peak but remains c.80% above its 5-year average. AET's c.70% term / 30% spot mix offers downside protection with upside participation; every 10% rise in spot tanker rates lifts earnings by c.5%.

QatarEnergy vessel economics protected. Management clarified no impact on LNGCs already under TCP, with charter payments protected even if disruption persists. Bunker and insurance costs are largely passed through, limiting downside risk.

Yield is the floor; Petroleum is the upside. DPS is expected to rise to 41.6 sen from FY26E, implying c.5% yield, while 7–9% FCF yield supports valuation. Petroleum remains the key earnings upside if tanker strength persists.

Valuation Methodology

We value MISC using an SOTP approach, capturing its LNG shipping, Petroleum, Offshore and Marine & Heavy Engineering segments. Our TP of RM9.50 implies c.9x EV/EBITDA and c.14x PE, supported by defensive LNG cash flows, improving Petroleum earnings and sustainable dividend yield.

Risk factors

i) weaker tanker spot rates;

ii) prolonged disruption to LNG project delivery or vessel deployment;

iii) lower-than-expected dividend payout;

iv) cost overruns or delays in offshore projects; and

v) weaker global LNG/shipping demand.

Financial Summary

Income Statement (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	13,237.5	11,146.1	12,963.2	13,686.1	14,694.0
EBITDA	4,292.1	4,342.1	3,867.0	4,872.9	5,441.4
Depreciation/Amortisation	(2,158.4)	(2,032.2)	(2,100.7)	(2,234.4)	(2,368.0)
Operating income (EBIT)	2,133.7	2,309.9	1,766.3	2,638.5	3,073.4
Other income & associates	356.5	1,189.0	288.4	288.4	288.4
Net interest	(307.2)	(579.6)	(233.5)	(255.8)	(258.4)
Exceptional items	940.7	582.3	-	-	-
Pretax profit	**2,224.2**	**2,444.2**	**2,827.1**	**3,239.6**	**3,392.0**
Taxation	(50.3)	(124.0)	(136.7)	(139.3)	(150.2)
Minorities/pref dividends	(39.7)	(38.0)	(38.0)	(38.0)	(38.0)
Net profit	**1,193.5**	**1,699.9**	**2,652.4**	**3,062.2**	**3,203.8**
Core net profit	2,134.2	2,282.2	2,652.4	3,062.2	3,203.8

Balance Sheet (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Fixed assets	23,480.6	20,901.0	21,663.7	22,292.6	22,787.9
Intangible assets	920.6	842.3	842.3	842.3	842.3
Other long-term assets	23,175.2	19,254.0	19,254.0	19,254.0	19,254.0
Total non-current assets	**47,576.3**	**40,997.3**	**41,760.0**	**42,388.9**	**42,884.2**
Cash & equivalent	5,310.0	4,833.7	5,896.5	6,801.8	7,588.0
Stock	105.9	122.1	128.0	132.1	144.2
Trade debtors	4,425.1	3,998.0	4,898.1	5,171.3	5,552.1
Other current assets	3,017.7	3,063.3	3,063.3	3,063.3	3,063.3
Total current assets	**12,858.8**	**12,017.1**	**13,985.9**	**15,168.5**	**16,347.6**
Trade creditors	5,706.2	4,585.3	5,777.2	5,962.8	6,507.0
Short-term borrowings	3,332.9	1,921.4	2,627.2	2,627.2	2,627.2
Other current liabilities	36.3	55.9	55.9	55.9	55.9
Total current liabilities	**9,075.5**	**6,562.6**	**8,460.3**	**8,645.8**	**9,190.1**
Long-term borrowings	12,161.3	10,959.0	10,959.0	11,341.5	11,086.5
Other long-term liabilities	884.9	788.3	788.3	788.3	788.3
Total long-term liabilities	**13,046.2**	**11,747.3**	**11,747.3**	**12,129.8**	**11,874.8**
Shareholders' funds	**37,604.0**	**34,007.4**	**34,803.1**	**36,008.7**	**37,355.8**
Minority interests	709.4	697.1	735.1	773.1	811.1
BV/share (RM)	8.58	7.77	7.96	8.24	8.55

Cash Flow (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	2,224.2	2,444.2	2,827.1	3,239.6	3,392.0
Depreciation/Amortisation	2,158.4	2,032.2	2,100.7	2,234.4	2,368.0
Net change in working capital	961.2	285.9	(91.7)	151.3	(35.5)
Others	(1,067.0)	876.6	240.9	(382.4)	36.6
Cash flow from operations	**4,276.8**	**5,638.9**	**5,077.0**	**5,242.9**	**5,761.1**
Capital expenditure	(1,812.9)	(1,949.5)	(2,863.3)	(2,863.3)	(2,863.3)
Net investments & sale of fixed assets	-	-	-	-	-
Others	621.3	475.6	-	-	-
Cash flow from investing	**(1,191.6)**	**(1,473.9)**	**(2,863.3)**	**(2,863.3)**	**(2,863.3)**
Debt raised/(repaid)	(1,539.1)	(1,728.1)	705.8	382.5	(255.0)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(1,606.9)	(1,606.9)	(1,856.7)	(1,856.7)	(1,856.7)
Others	(1,019.5)	(869.7)	-	-	-
Cash flow from financing	**(4,165.6)**	**(4,204.7)**	**(1,150.9)**	**(1,474.2)**	**(2,111.6)**
Net cash flow	**(1,080.3)**	**(39.7)**	**1,062.8**	**905.4**	**786.2**
Net cash/(debt) b/f	**6,545.2**	**5,310.0**	**4,833.7**	**5,896.5**	**6,801.8**
Net cash/(debt) c/f	**5,310.0**	**4,833.7**	**5,896.5**	**6,801.8**	**7,588.0**

Key Ratios

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	(7.2)	(15.8)	16.3	5.6	7.4
EBITDA growth (%)	-	1.2	(10.9)	26.0	11.7
Pretax margin (%)	16.8	21.9	21.8	23.7	23.1
Net profit margin (%)	9.0	15.3	20.5	22.4	21.8
Interest cover (x)	6.9	4.0	7.6	10.3	11.9
Effective tax rate (%)	2.3	5.1	4.8	4.3	4.4
Dividend payout (%)	134.6	99.8	70.0	60.6	58.0

Debtors turnover (days)	144	138	125	134	133
Stock turnover (days)	3	4	4	3	3
Creditors turnover (days)	163	169	146	157	155

Source: Company, AmInvestment Bank Bhd.

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