

16 July 2025

MISC

Sustainable Maritime Transport

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Following MISC's Investor Day, we took a deeper look into the company's ESG agenda, initiatives and disclosures detailed in its 2024 Sustainability Report and the Climate-Related Financial Disclosure Report. We are reassured of MISC's commitment to transition to a low-carbon future, hence strengthening the sustainability of its business, largely in line with industry in terms of carbon reduction initiatives through installing scrubbers and owning dual-fuel vessels. MISC is Shariah-compliant, and scored a 4-star FTSE4Good rating in its latest June 2025 review. We maintain our earnings forecasts, SoP-TP of RM8.17 and our OUTPERFORM call.

Environment

Emission Management & Transition to a Low-Carbon Future – MISC is committed to reduce GHG emission intensity by 50% for shipping operations by 2030 (against a 2008 baseline), more aggressive than the 40% target set by the International Maritime Organisation's (IMO). In FY24, the company has managed to cut it further to 32% (FY23: 24% reduction), a significant achievement, and we believe it is on track to meet the IMO's target. In terms of absolute emission, MISC's FY24 Scope 1 and 2 emissions amounted to 3.85m tCO₂e (down 7% vs. FY23) while its Scope 3 emission was 2.2m tCO₂e (down 6% vs. FY23).

MISC's transition plan from low-carbon to net-zero by 2050 emphasizes progressive fleet renewal and newbuilds to high-efficiency LNG dual-fuel engine vessels and zero-emission vessels from now to 2030, as well as methane abatement on selected vessels.

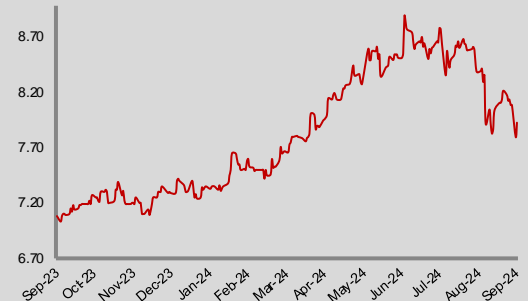
The group is pursuing opportunities in emerging **carbon capture and storage (CCS)** markets, including onshore and onboard carbon capture (with Petronas PD&T), **liquefied CO₂ carriers** (via Jules Nautica, a JV with Petronas CCS Ventures and MOL), and floating CO₂ storage units (with Samsung Heavy Industries). While MISC will continue to rely on LNG as a transitional fuel for now, the group is aggressively seeking alternatives. The group has signed time charter party contracts with PETCO Trading Labuan Company Ltd for the world's **first two ammonia dual-fuel Aframax**s. Meanwhile, two **LNG dual-fuel Aframax**s are expected to join its fleet by end-2027 (via AET's long-term charters with Singfar). At this juncture we are unaware of any potential premiums of the dual-fuel Aframax. At the moment, the group has 11 LNG dual-fuel petroleum tankers, 6 ethane dual fuel Very Large Ethane Carriers and 2 more ammonia Aframax on order. We believe that MISC is on par with its peers on dual-fuel vessel employment with 16% of its overall fleet already at dual-fuel specifications.

MISC is part of the **Castor Initiative**, a collaboration with Samsung Heavy Industries, Lloyd's Register, MAN Energy Solutions, Yara International ASA and the Maritime and Port Authority of Singapore to develop a zero-carbon ammonia-fuelled tanker. With extensive expertise in cargo handling, EPCIC, shipbuilding, and module fabrication, MISC is well-positioned to expand into the decarbonisation market. MISC has strengthened its commitment to developing commercially viable deep-sea low-carbon vessels.

OUTPERFORM ↔

Price : **RM7.55**
Target Price : **RM8.17** ↔

Share Price Performance



KLCI	1,656.39
YTD KLCI chg	13.9%
YTD stock price chg	8.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MISC MK Equity
Market Cap (RM m)	35,397.5
Shares outstanding	4,463.7
52-week range (H)	8.97
52-week range (L)	7.00
3-mth avg. daily vol.	4,700,933
Free Float	38%
Beta	0.7

Major Shareholders

Petroleum Nasional Bhd	51.0%
Employees Provident Fund	12.3%
Amanah Saham Bumiputera	6.8%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Revenue	13238	13744	13417
EBIT	1803	2355	2007
PBT	1284	2385	2038
Net Profit (NP)	1194	2417	2083
Core NP (CNP)	2175	2417	2083
Consensus CNP	-	2268	2406
Earnings Revision (%)	-	-	-
Core EPS (sen)	26.7	54.1	46.7
CNP Growth (%)	-43.8	102.5	-13.8
DPS (sen)	36.0	36.0	36.0
BVPS (RM)	8.42	8.61	8.71
Core PER (x)	28.4	14.0	16.3
Price/BV (x)	0.9	0.9	0.9
Net Gearing (x)	0.2	0.2	0.2
Div. Yield (%)	4.7	4.7	4.7

Regulatory Requirement	Key Points
IMO Net Zero Framework	<ul style="list-style-type: none"> • Formal adoption expected in October 2025 (subject to 2/3 majority vote from 108 parties) • Enforcement could begin 2027–28 • 2-tier carbon pricing mechanism based on a higher base target and lower compliance target i.e. <ul style="list-style-type: none"> ◦ Tier 1 USD100/MT for emissions that meet base target but exceed the direct compliance standard ◦ Tier 2 USD380/MT for emissions that exceed base target • Emissions lower than the compliance standard will generate carbon credits from surplus units for own mitigation or transferred to another, valid for 2 years. • Work in progress on a financial reward system for near zero and zero-emission vessels.
EU ETS	<ul style="list-style-type: none"> • Expanded to cover GHG emissions, including methane (CH₄) and nitrous oxide (N₂O) from 2026 onwards • The Mediterranean Sea is now designated as an emission control area for sulphur oxides (SO_x), and particulate matter. Vessels must use low-sulphur fuels. • Phased compliance began in 2024, covering 40% emission, 70% in 2025, and 100% from 2026 onwards

Source: IMO, International Carbon Action Partnership

The group's **Climate-Related Financial Disclosure Report 2024** presented a strategic roadmap for mitigating risks and capitalising on emerging opportunities amidst different climate change scenarios. Notable among the disclosures are:

- **Revenue from low-carbon services totalled RM1.58b** (11% of total FY25F group revenue). MISC aims to achieve 25% of its cash flows from operations through new energy solutions such as the operation of zero-emission vessels, CCS, offshore renewables and the development of alternative fuel value chains by 2030.
- **Climate-related expenses amounted to RM167m (6.9% of revenue)**. These expenses were due to the retrofit of assets to improve energy efficiency and reduce emissions, environmentally-friendly procurements such as Ballast Water Treatment Systems, and environmental protection initiatives.

➤ **Biodiversity & Conservation** – MISC has set a target of zero major spills and installing ballast water treatment system (BWTS) on all vessels by 2024. **To prevent marine pollution**, the group has completed the installation of BWTS on all vessels while all newbuilds are equipped with BWTS in compliance with the IMO's ballast water discharge standards to prevent marine alien species invasion into coastal areas. Two oil spills were recorded in 2024 (2023: 2), releasing an average volume of 6 litres (2023: 16 litres). As at December 2024, the group has deployed KeepUp@Sea, a cybersecurity solution, to secure the operating technology and IT infrastructure on 65 vessels to prevent cybersecurity incidents that may lead to environmental harm, such as accidental spills.

MISC has also conducted preliminary **biodiversity impact assessment**, covering both shipping and non-shipping assets. Vessel routes are overlaid with protected and key biodiversity areas and an impact report was generated via the Integrated Biodiversity Assessment Tool (IBAT) using data from the International Union for Conservation of Nature Marine Mammal Protected Areas Task Force. MISC complies with all regulations and requirements relating to biodiversity by the IMO such as reducing speed at IMO-designated particularly sensitive sea areas. Full assessment of all the vessel routes and determination of potential high-risk areas will be carried out this year.

Launched in 2020, MISC's Heart of The Ocean (HOTO) programme aims to conserve and rehabilitate the marine ecosystem. In FY24, the company carried out 2 initiatives i.e. Mersing Islands Reef Conservation and UMT-MISC Marine Sea Turtle Conservation. To date, HOTO has surveyed 36 coral reef sites, rehabilitated 3 coral sites, collected over 11,000kg of trash and installed 30 mooring buoys to protect reef sites due to anchor deployment. In FY24, it recorded a 63% turtle nest hatching success rate (FY23: 77%).

MISC is a member of the National Business Advisory Group, set up to develop a national roadmap and business biodiversity action plan as part of Malaysia's **National Policy on Biological Diversity**. The company also contributed to the latest guideline on **reef restoration and rehabilitation** funded by Australia's Reef Trust-Great Barrier Reef Foundation partnership.

MISC has been utilising **internal carbon pricing** in new investments beginning 1 Jan 2023, to better manage the potential impact of different carbon pricing scenarios on its operations and financial performance. Starting from USD50/tonne, it rose to USD68/tonne in 2024, and USD60/tonne in 2025 to reflect evolving market conditions. The group’s comprehensive GHG management is aligned with its aim of ensuring business sustainability in the face of the IMO’s Net Zero framework as well as the expanded EU Emission Trading System (EU ETS) which could have financial implications.

MISC’s **Ship Recycling Policy and Guidelines** ensure that ship recycling activities are safe and environmentally sound. It covers four stages i.e. design and construction, ship operations, repurpose or resell for further trading and sold to intermediary or directly to Hong Kong Convention-approved (HKC) yards for scrap. At each stage, use of hazardous materials in vessels and its documentation in the approved Inventory of Hazardous Materials (IHM) is required. This is in line with the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships (HKC) which came into force on 26 June 2025. In 2024, following an assessment of two ship recycling yards, MISC has shortlisted preferred ship recycling yards that fully comply with both the Hong Kong Convention and the European Union Ship Recycling Regulation (EU SRR 1257/2013).

- **Effluent, Waste & Water Management** – In FY24, MISC discharged more ship oil sludge at 6,799 m³ (FY23: 6,537 m³) but lesser effluents at 58,696 m³ (FY23: 63,761 m³). However, it generated lesser waste compared to FY23, and has maintained a 3R (reuse, recovery & recycle) rate of over 95% for hazardous waste for two years while reducing plastic waste in vessel operations, offshore and paper waste.

Waste Management	FY24	FY23	Target 2025
Plastic Waste			
Vessel Operations	↓10%	↓4%	↓27% (vs. 2019)
Offshore	↓49%	NA	↓19% (vs. 2021–22 average)
Paper waste	↓20%	↓7%	↓40% (vs. 2019)
3R Rate			
Hazardous waste	99.7%	99.9%	Maintained at >95%
Non-hazardous waste	9%	3%	70% (from 11% in 2018)
<i>Source: MISC</i>			

- **Energy Management** – In 2024, MISC installed solar PV at MHB’s Centre of Excellence with an estimated annual generation of 141.5 MWh following a rooftop solar PV installation at MMHE West Yard in Pasir Gudang in 2021 (generating up to 10,000 MWh annually). Its Akademi Laut Malaysia (ALAM) campus is also powered with solar energy. The group continues to increase the use of biofuel in decarbonizing its operations with AET utilising 12,900 tonnes in 2024 which led to improved carbon intensity indicator (CII) ratings of its vessels, avoiding 7,400 tonnes of CO₂ emissions. MISC is also exploring the potential use of ethanol as alternative fuel for certain shuttle tankers.

Social

- **Community Investment** – The **MISC Group Community Investment Guideline** states four areas of focus, namely education, environment, health, safety, and well-being. The aim is to achieve sustainable and measurable outcomes to ensure long-term benefits to the community. In FY24, MISC reported RM21m in community investment (FY23: RM29.6m) via scholarships for maritime studies in ALAM. Since 2020, the company has engaged over 3,000 individuals through awareness and training programmes on marine resource management and tourism-based supplementary livelihood.
- **Workers Safety & Wellbeing** – MISC published its human rights policy in Sep 2024, a comprehensive framework to promote human rights, and prevent modern slavery and human trafficking. MISC has a good record in employees’ health, safety and wellbeing. In FY24, one fatality was recorded (FY23: 3) and three cases of lost time injury (FY23: 6) out of 9,536 employees (FY23: 10,435). About 70% of total employees are contract workers. There were no cases of non-compliance with labour standards. The salary gap between male and female has been closing with a ratio of 1.01:1 in 2024, from 1.1:1 in 2023 and 1.4: 1 in 2022. MISC’s Employee Assistance Programme (EAP) offers comprehensive support for employees’ health by providing a 24/7 careline and remote one-on-one consultations for mental wellbeing as well as provide free on-sit health checks.
- **Supply Chain Management** – Suppliers’ performance is related to labour and working conditions, responsible security, community well-being, and compliance with corruption and bribery regulations. MISC has implemented an ESG Self-Assessment for its suppliers which incorporates human rights elements, measures the maturity level of ESG compliance for critical vendors since 2022, covering 283 of MISC’s critical Tier-1 vendors. This assessment ensures that suppliers comply with MISC Human Rights Policy, sustainable sourcing practices, and circular-economy commitments. Spending on local suppliers dropped to 40% spending in FY24 (FY24: 60%). The group is working with suppliers on emissions data quality and joint reduction targets as part of its Scope 3 strategy.

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Governance

- **Regulatory Frameworks, Policies & Mechanism** – MISC’s reporting is aligned with numerous global and domestic regulations and frameworks such as the IIRC’s International <IR> Framework, Bursa Malaysia’s Main Market Listing Requirements and Sustainability Reporting Guide, IFRS, GRI standards, and SASB standards among others. Internally, the group has multiple comprehensive policies and management committees that address the needs and welfare of employees, suppliers and enhance its SOPs that are reviewed and audited regularly.
- **Assurance** – MISC has a robust audit and assurance structure. All data and information (financial and non-financial) are subject to audits and assurance by different parties i.e. group internal audit, external audit, management risk committee, management audit committee, people development committee, and health, safety, security & environment (HSSE) and sustainability council. The board audit committee (BAC) oversees the internal control framework and quarterly reviews ESG matters, including HSSE, business ethics, and whistleblowing/grievance cases. Independent and limited assurance (covering MISC’s Scope 1, 2 and biogenic emissions, lost time incident frequency and total recordable case frequency metrics for 2023 and 2024) was provided by American Bureau of Shipping.

Forecasts. Maintained.

Valuations. We maintain our SoP-TP at RM8.17. There is no change to our valuation based on ESG given a 4-star ESG rating as appraised by us (see Page 5).

Investment case. We like MISC due to its: (i) recent fleet expansion and modernization for tanker business, (ii) track record in FPSO Mero 3 full operations which paves way to potential future wins in the global FPSO market, (ii) decent dividend yield, and (iii) position as one of the first movers with parallel initiatives to steer the company to be able to comply with IMO requirements to minimise the potential carbon taxes upon full enforcement. Maintain **OUTPERFORM**.

Risks to our call include: (i) lower-than-expected utilisation and spot rates for petroleum fleet, (ii) inability to scale its green tanker initiatives on time, and (iii) further weakness in the global LNG shipping markets.

Sum-of-Parts Valuation		
	(RM m)	Valuation metric
LNG	16,238	DCF at 7% discount rate
Offshore	13,980	DCF at 6% discount rate
Petroleum shipping	12,512	Tanker market value
MMHE	707	0.4x PBV
Net Debt	(8,696)	Based on FY24F
Sum-of-parts value	34,741	
No. of share (m)	4,463.8	
ESG premium / discount	5%	
SOP / share (RM)	8.17	

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
BUMI ARMADA BHD	MP	0.445	0.520	16.9%	2,637.9	Y	12/2025	6.1	6.5	-45.7%	6.4%	7.3	6.9	0.5	7.6%	0.0	0.0%
DAYANG ENTERPRISE HLDGS BHD	UP	1.86	1.56	-16.1%	2,153.5	Y	12/2025	16.5	17.3	-30.0%	5.1%	11.3	10.7	1.1	9.8%	4.0	2.2%
DIALOG GROUP BHD	OP	1.63	1.94	19.0%	9,197.6	Y	06/2025	8.6	8.7	-19.9%	1.5%	19.0	18.7	1.5	8.0%	4.0	2.5%
KEYFIELD INTERNATIONAL	MP	1.70	2.31	35.9%	1,371.0	Y	12/2025	23.6	25.7	-14.0%	9.2%	7.2	6.6	1.7	25.4%	9.0	5.3%
MISC BHD	OP	7.55	8.17	8.2%	33,701.3	Y	12/2025	54.1	46.7	11.1%	-13.8%	13.9	16.2	0.9	6.4%	36.0	4.8%
PETRONAS CHEMICALS GROUP	MP	3.49	3.40	-2.6%	27,920.0	Y	12/2025	16.0	23.4	9.1%	46.1%	21.8	14.9	0.7	3.3%	8.0	2.3%
PETRONAS DAGANGAN BHD	MP	21.26	21.20	-0.3%	21,120.8	Y	12/2025	110.4	113.0	-0.8%	2.3%	19.3	18.8	3.4	18.0%	88.0	4.1%
VELESTO ENERGY BHD	UP	0.185	0.160	-13.5%	1,519.9	Y	12/2025	1.7	1.8	-32.4%	5.3%	10.8	10.3	0.6	5.3%	1.0	5.4%
WASCO BHD	OP	1.01	0.970	-4.0%	782.1	Y	12/2025	1.6	1.8	-36.8%	8.3%	61.3	56.6	6.3	10.9%	2.0	2.0%
YINSON HOLDINGS BHD	OP	2.39	3.15	31.8%	6,974.2	N	01/2026	16.6	22.2	20.3%	33.4%	14.4	10.8	1.4	10.0%	5.0	2.1%
SECTOR AGGREGATE					108,355.5					-4.2%	8.1%	15.5	14.3	1.6	9.9%		2.5%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★	★	
	Corporate Governance	★	★	★	★	
	Anti-Corruption Policy	★	★	★	★	
	Emissions Management	★	★	★	★	
SPECIFIC	Transition to Low Carbon Future	★	★	★	★	
	Conservation & Biodiversity	★	★	★	★	
	Effluent & Waste Management	★	★	★		
	Water Management	★	★	★	☆	
	Supply Chain Management	★	★	★	★	
	Energy Efficiency	★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

OVERALL ★ ★ ★ ★

Stock Ratings are defined as follows:

Stock Recommendations

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
- MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

- OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
- NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
- UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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