

## MISC

### Holding Its Course

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MISC's FY25 results were in line with both our and consensus expectations, with a declared DPS of 14 sen, also within our estimate. Earnings weakness in the gas & asset solutions segment was offset by stronger performance in the Offshore business and stable contribution from the Petroleum segment. The gas & asset solutions division's earnings outlook has become tepid as margins from new charters are expected to be lower than expiring old charters. Petroleum division will remain as its core earnings anchor in FY26 due to sustained strength in tanker rates. We trimmed FY26F earnings to factor in lower LNG margins. SoP-TP is cut slightly to RM8.60 (from RM8.65). Maintain **OUTPERFORM** as its dividend yield of 4.4% would be sustainable.

**Within expectations.** MISC's FY25 earnings came in at RM2.1b (excluding EI of RM837.2m net impairment, RM171.4m loss on other investments, RM404.0m one off offshore gains, RM188.5m gain on disposal of ships), This was within our (95%) and consensus (90%) forecasts. A DPS of 14 sen was declared, bringing cumulative DPS to 38 sen, largely in line with our expectation (36 sen for the full year).

**YoY,** MISC's FY25 revenue declined 16% due to a 25% decline in gas & asset solutions division's revenue (due to a combination of contract expiry, lower vessel charter days and lower DCRs for vessels on spot), and weaker marine & heavy engineering division (due to lack of work orders recognised as major projects came to tail end). This was partially offset by stronger offshore business division as a major FPSO asset contributed full charter income (Mero 3). Core profit declined slightly largely due to higher admin expenses, largely offset by lower finance expenses.

**QoQ,** revenue was largely flattish as lower gas & asset solutions revenue were offset by stronger marine & engineering performance. Core profit was also largely flattish as lower interest costs offset the weakness in lower gas & asset earnings.

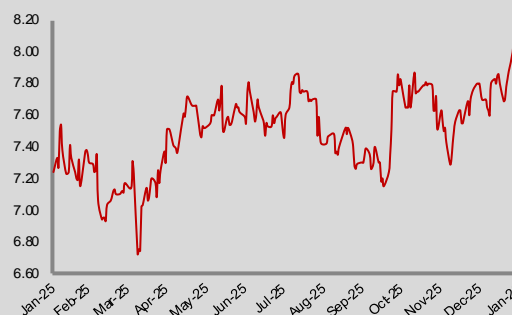
**Briefing highlights.** Key takeaways from MISC's analysts briefing include the following:

- For the offshore business, there was a USD75m gain on insurance for FSO Benchamas while it was largely offset by USD44m PCPP MOPU on receivable impairments. Other than the one-offs, FPSO Mero 3 remains as the core contributor of the offshore business.
- RM356m impairment provisions were largely on older LNG vessels of which its long-term contracts have expired and being marked-to-market (largely steam engine driven vessels which commands lower spot DCR in the current market). Moving forward, we expect its incoming LNG long-term charters to command lower operating margins as opposed to older charters secured a decade ago, indicating lower average margin potential in the foreseeable future.
- The six associate-owned Qatar vessels delivered late Oct 2025 has not contributing meaningfully to the group due to high initial start-up costs but would be slightly better in FY26.

## OUTPERFORM ↔

Price : **RM8.20**  
Target Price : **RM8.60** ↓

### Share Price Performance



KLCI	1,754.01
YTD KLCI chg	4.4%
YTD stock price chg	5.1%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MISC MK Equity
Market Cap (RM m)	36,602.7
Shares outstanding	4,463.7
52-week range (H)	8.33
52-week range (L)	6.50
3-mth avg daily vol:	2,323,964
Free Float	39%
Beta	0.9

### Major Shareholders

Petroleum Nasional Bhd	51.0%
Employees Provident Fund	16.2%
Amanah Saham Bumiputera	7.5%

### Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Revenue	11146	13657	14052
EBIT	2136	1973	2111
PBT	1862	2065	2203
<b>Net Profit (NP)</b>	<b>1776</b>	<b>2112</b>	<b>2210</b>
<b>Core NP (CNP)</b>	<b>2120</b>	<b>2112</b>	<b>2210</b>
Consensus (CNP)	-	2541	2848
Earnings Revision (%)	-	-9.2	-
Core EPS (sen)	47.5	47.3	49.5
CNP Growth (%)	-2.5	-0.4	4.6
DPS (sen)	36.0	36.0	37.0
BVPS (RM)	7.62	7.48	7.61
Core PER (x)	17.3	17.3	16.6
Price/BV (x)	1.1	1.1	1.1
Net Gearing (x)	0.2	0.2	0.2
Div. Yield (%)	4.4	4.4	4.5

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**Forecasts.** We tuned FY26F earnings down by 9% as we assumed lower EBIT margins of 40% vs. 50% earlier to account for lower LNG charter margins as new contracts replace older contracts.

**Valuation.** Correspondingly, we trimmed our SoP-TP by 0.5% to RM8.60 (from RM8.65) after we adjusted for lower LNG margins. There is no change to our valuation based on ESG given a 4-star ESG rating as appraised by us (see Page 5).

We like MISC due to its: (i) recent fleet expansion and modernization, (ii) decent dividend yield due to its recurring cash flow and strength of its balance sheet, and (iii) long-term growth trend in LNG business due to structural increase in demand. Maintain **OUTPERFORM**.

**Risks to our call include:** (i) lower-than-expected utilisation and spot rates for the petroleum fleet, (ii) additional cost overruns and project delays for Mero-3, and (iii) further structural weakness in the LNG shipping market which may lead to difficulties for the group to maintain its gas & assets solutions division's recurring earnings base in the longer run.

**Result Highlights**

FYE Dec (RM m)	4Q FY25	3Q FY25	Q-o-Q Chg	3Q FY24	Y-o-Y Chg	FY25	FY24	Y-o-Y Chg
Revenue	2,811.5	2,797.2	0.5%	3,306.6	-15.0%	11,146.1	13,237.5	-15.8%
Cost of sales	(1,942.1)	(1,870.9)	3.8%	(2,398.7)	-19.0%	(7,406.9)	(9,544.0)	-22.4%
<b>Gross profit</b>	<b>869.4</b>	<b>926.3</b>	<b>-6.1%</b>	<b>907.9</b>	<b>-4.2%</b>	<b>3,739.2</b>	<b>3,693.5</b>	<b>1.2%</b>
Other operating income	567.5	131.3	332.2%	192.6	194.7%	1,166.1	680.6	71.3%
Admin expenses	(706.9)	(401.1)	76.2%	(482.7)	46.4%	(1,906.4)	(1,539.3)	23.8%
<b>Operating profit</b>	<b>1,220.7</b>	<b>580.7</b>	<b>110.2%</b>	<b>1,599.2</b>	<b>-23.7%</b>	<b>3,412.2</b>	<b>3,829.1</b>	<b>-10.9%</b>
Others	0.0	0.0		0.0		0.0	74.1	-100.0%
Finance cost	(94.1)	(152.6)	-38.3%	(158.0)	-40.4%	(552.1)	(684.4)	-19.3%
Share of profit of associates	(4.3)	0.0		0.3	-1533.3%	(5.9)	2.3	-356.5%
Share of profit of joint ventures	(5.3)	20.6	-125.7%	58.9	-109.0%	34.9	94.8	-63.2%
<b>EI</b>	<b>(490.7)</b>	<b>75.8</b>	<b>-747.4%</b>	<b>(981.4)</b>	<b>-50.0%</b>	<b>(413.3)</b>	<b>(920.2)</b>	<b>-55.1%</b>
Profit before tax	<b>522.6</b>	<b>392.5</b>	<b>33.1%</b>	<b>420.2</b>	<b>24.4%</b>	<b>1,952.7</b>	<b>1,808.4</b>	<b>8.0%</b>
Taxation	(42.1)	(43.1)	-2.3%	0.7	-6114.3%	(123.9)	(50.3)	146.3%
Non-controlling interests	15.9	5.0	218.0%	9.6	65.6%	31.8	(21.1)	-250.7%
<b>PATAMI</b>	<b>(11.8)</b>	<b>547.9</b>	<b>-102.2%</b>	<b>(446.2)</b>	<b>-97.4%</b>	<b>1,706.2</b>	<b>1,254.3</b>	<b>36.0%</b>
<b>Core Net profit</b>	<b>478.9</b>	<b>472.1</b>	<b>1.4%</b>	<b>535.2</b>	<b>-10.5%</b>	<b>2,119.5</b>	<b>2,174.5</b>	<b>-2.5%</b>
Core EPS (sen)	10.7	10.6	1.4%	12.0	-10.5%	47.5	48.7	-2.5%
DPS (sen)	14.0	8.0		12.0		38.0	36.0	
Operating margin	43.4%	20.8%		48.4%		30.6%	28.9%	
PBT margin	18.6%	14.0%		12.7%		17.5%	13.7%	
Net margin	-0.4%	19.6%		-13.5%		15.3%	9.5%	
Core net margin	17.0%	16.9%		16.2%		19.0%	16.4%	
Effective tax rate	8.1%	11.0%		-0.2%		6.3%	2.8%	

Source: Company, Kenanga Research

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**Segment Breakdown (USD)**

Segment Results	4Q	3Q	Q-o-Q	3Q	Y-o-Y			Y-o-Y
FYE Dec (USD m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
<b>Revenue</b>								
Gas & Asset Solutions	102.0	123.0	-17.1%	192.0	-46.9%	490.0	653.0	-25.0%
Petroleum	324.0	303.0	6.9%	277.0	17.0%	1,207.0	1,104.0	9.3%
Offshore Business	117.0	114.0	2.6%	95.0	23.2%	452.0	358.0	26.3%
Marine & Heavy Engineering	139.0	120.0	15.8%	187.0	-25.7%	461.0	790.0	-41.6%
<b>Core PBT</b>								
Gas & Asset Solutions	(96.0)	12.0	-900.0%	(128.0)	-25.0%	(22.0)	1.0	-2300.0%
Petroleum	81.0	91.0	-11.0%	77.0	5.2%	294.0	291.0	1.0%
Offshore Business	16.0	26.0	-38.5%	(43.0)	-137.2%	119.0	(91.0)	-230.8%
Marine & Heavy Engineering	12.0	7.0	71.4%	5.0	140.0%	24.0	27.0	-11.1%
<b>Core PBT Margin</b>								
Gas & Asset Solutions	-94.1%	9.8%		-66.7%		-4.5%	0.2%	
Petroleum	25.0%	30.0%		27.8%		24.4%	26.4%	
Offshore Business	13.7%	22.8%		-45.3%		26.3%	-25.4%	
Marine & Heavy Engineering	8.6%	5.8%		2.7%		5.2%	3.4%	

Source: Company, Kenanga Research

**Sum-of-Parts Valuation**

	(RM m)	Valuation metric
LNG	12,562	DCF at 7% discount rate
Offshore	14,347	DCF at 6% discount rate
Petroleum shipping	14,980	Tanker market value
MMHE	707	0.4x PBV
Net Debt	(6,083)	Based on FY26F
<b>Sum-of-parts value</b>	<b>36,513</b>	
No. of share (m)	4,463.8	
ESG premium / discount	5%	
<b>SOP / share</b>	<b>8.60</b>	

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.
<b>Stocks Under Coverage</b>																	
BUMI ARMADA BHD	OP	0.320	0.450	40.6%	1,896.9	Y	12/2025	6.1	5.4	-45.7%	-10.9%	5.3	5.9	0.4	7.6%	0.0	0.0%
DAYANG ENTERPRISE HLDGS BHD	OP	1.92	1.90	-1.0%	2,222.9	Y	12/2026	13.6	16.0	-42.3%	17.4%	14.1	12.0	1.2	8.3%	10.0	5.2%
DIALOG GROUP BHD	OP	1.79	2.28	27.4%	10,100.4	Y	06/2026	10.4	11.4	31.4%	9.7%	17.2	15.7	1.6	9.9%	5.0	2.8%
LIANSON FLEET GROUP BHG	OP	2.02	2.40	18.8%	2,354.7	Y	12/2025	8.7	10.3	0.0%	18.7%	23.3	19.7	2.2	11.9%	0.0	0.0%
KEYFIELD INTERNATIONAL	MP	1.53	1.57	2.6%	1,235.0	Y	12/2025	14.0	17.5	-49.6%	24.3%	10.9	8.8	1.6	15.6%	6.0	3.9%
MISC BHD	OP	8.26	8.60	4.7%	36,870.5	Y	12/2026	50.1	53.1	2.9%	4.0%	16.2	15.3	1.0	5.9%	36.0	4.4%
PETRONAS CHEMICALS GROUP	OP	3.29	4.10	24.6%	26,320.0	Y	12/2026	(6.1)	10.3	-	70.4%	N.A.	31.9	0.7	-1.3%	5.0	1.5%
PETRONAS DAGANGAN BHD	MP	20.98	21.20	1.0%	20,842.7	Y	12/2026	110.4	113.0	-0.8%	2.3%	19.0	18.6	3.4	18.0%	88.0	4.2%
VELESTO ENERGY BHD	MP	0.310	0.320	3.2%	2,546.8	Y	12/2025	2.0	2.1	-21.5%	7.3%	15.6	14.6	0.9	6.1%	3.0	9.7%
WASCO BHD	OP	0.955	1.17	22.5%	739.5	Y	12/2025	1.5	1.7	-41.5%	9.4%	62.6	57.2	6.0	10.1%	5.0	5.2%
YINSON HOLDINGS BHD	OP	2.36	2.84	20.3%	6,896.8	N	01/2026	16.6	20.4	20.3%	22.3%	14.2	11.6	1.4	10.1%	6.0	2.5%
<b>SECTOR AGGREGATE</b>					<b>112,264.4</b>					<b>-29.4%</b>	<b>32.2%</b>	<b>22.1</b>	<b>16.7</b>	<b>1.7</b>	<b>9.3%</b>		<b>3.3%</b>

Source: Kenanga Research

**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★		
	Corporate Social Responsibility	★	★	★	★	
	Management/Workforce Diversity	★	★	★	★	
	Accessibility & Transparency	★	★			
	Corruption-Free Pledge	★	★	★	★	
	Carbon-Neutral Initiatives	★	★	★	★	
<b>SPECIFIC</b>	Diversification from pure O&G	★	★	★		
	Emission Targets and Climate Goals	★	★	★	★	
	Occupational Health and Safety	★	★	★	★	
	Pollution control	★	★	★	★	
	Supply chain auditing	★	★	★	★	
	Energy efficiency	★	★	★	★	
<b>OVERALL</b>		★	★	★	★	

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

**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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