

26 May 2026

MISC

Petroleum Tailwinds

By Lim Sin Kiat, CFA / limsk@kenanga.com.my

MISC's 1QFY26 results were above our expectations due to stronger-than-expected petroleum division profit, but came within consensus. Overall, the petroleum division remained as the key anchor for earnings growth YoY while its other business divisions were flattish and lumpy. In FY26, petroleum division would remain strong in the short term due to Iran-US conflict but we expect 2HCY26 rates to normalise closer to pre-war levels as the situation de-escalates and in FY27 onwards, increase in vessels capacity globally may put pressure on DCRs in the longer run. We raise FY26-27F earnings on higher petroleum DCR and SoP-TP is raised slightly to RM9.00 (from RM8.68). Maintain OUTPERFORM as its dividend yield of 4.4% is sustainable.

Slightly above expectation. MISC's 1QFY26 earnings came in at RM641m (excluding EI of RM58.9m net impairment, RM2.1m loss on other investments, RM6.1m forex gain and RM155.3m gain on disposal of assets). This was above our expectations (30%) but within consensus (25.7%). The main reason for the outperformance is largely driven by stronger-than-expected performance from the petroleum division. A DPS of RM0.08 was declared, largely in line.

YoY, MISC's 1QFY26 revenue was 3% higher, mainly underpinned by higher petroleum division topline (driven by higher DCRs) and higher revenue of marine & heavy engineering division (driven by work orders). Core profit, improved at a slightly faster rate of 6% YoY as cost of sales and finance costs declined YoY.

QoQ, revenue also ticked up, by 3%, driven by petroleum division while other divisions recorded decline. Core profit, improved much more significantly at 34% QoQ due to significant decrease in admin expenses and also further propped up by share of profit from associates and JV.

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

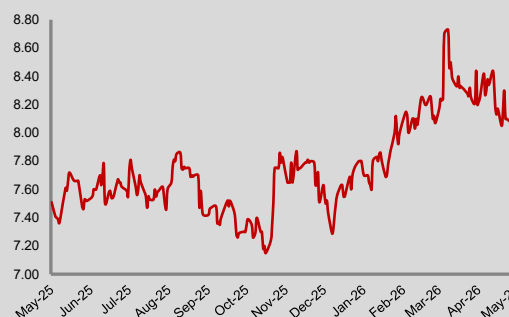
1. The impairments are mainly on older LNG vessels namely Seri A and Seri B classes impairment. The profit on disposal of RM155m is related to disposal of Eagle Varna VLCC for its petroleum division.
2. The additional insurance costs of its vessels operating in Middle East are largely absorbed by its clients and until now there were no cancellations from its clients due to force majeure, and two of its vessels have already left the Straits of Hormuz safely.

Outlook. 2QFY26 looks set to be a strong quarter as well with petroleum rates much higher due to the shock from US-Iran conflict, and staying relatively strong throughout 2026. However, we expect the rates to subside gradually as vessel movements normalise in the Strait of Hormuz as the US-Iran tension gradually de-escalates. That aside, order book for newbuilds in petroleum as a percentage of global fleet is also on an uptrend, reaching 23% based on MISC newsletter in 2026 (compared to 10%-15% lows in 2022-2024) and expected to climb in coming years. Therefore, we think that the petroleum market will cool off in 2HCY27 onwards as new vessels enter the market and if there is any peace deal between Russia and Ukraine, tonne mile demand could shift unfavourably for DCRs as well.

OUTPERFORM ↔

Price : **RM8.25**
Target Price : **RM9.00** ↑

Share Price Performance



KLCI	1,708.50
YTD KLCI chg	1.7%
YTD stock price chg	5.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MISC MK Equity
Market Cap (RM m)	36,825.9
Shares outstanding	4,463.7
52-week range (H)	9.04
52-week range (L)	7.12
3-mth avg daily vol:	4,847,264
Free Float	36%
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	14203	14612
EBIT	2136	2138	2281
PBT	1862	2229	2373
Net Profit (NP)	1776	2280	2382
Core NP (CNP)	2120	2280	2382
Consensus (CNP)	-	2499	2664
Earnings Revision (%)	-	8.0	7.8
Core EPS (sen)	47.5	51.1	53.4
CNP Growth (%)	-2.5	7.6	4.5
DPS (sen)	36.0	36.0	37.0
BVPS (RM)	7.62	7.77	7.93
Core PER (x)	17.6	-16.4	15.7
Price/BV (x)	1.1	-1.1	1.1
Net Gearing (x)	0.2	0.2	0.2
Div. Yield (%)	4.3	4.3	4.4

26 May 2026

Forecasts. We tuned FY26-27F earnings up by 8% as we account for higher petroleum rates (+9% for both years from old assumptions) to account for stronger petroleum tanker market.

Valuation. Correspondingly, we raise our SoP-TP by 4% to **RM9.00** (from RM8.69) after we adjusted for higher second-hand value for petroleum tankers. 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) strong near to medium term outlook of global petroleum tanker market. 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 recurring earnings base in the longer run.

Result Highlights

	1Q FY26	4Q FY25	Q-o-Q Chg	1Q FY25	Y-o-Y Chg
FYE Dec (RM m)					
Revenue	2,891.4	2,811.5	2.8%	2,816.1	2.7%
Cost of sales	(1,806.1)	(1,942.1)	-7.0%	(1,831.6)	-1.4%
Gross profit	1,085.3	869.4	24.8%	984.5	10.2%
Other operating income	127.6	567.5	-77.5%	302.0	-57.7%
Admin expenses	(446.1)	(706.9)	-36.9%	(429.3)	3.9%
Operating profit	666.4	1,220.7	-45.4%	756.0	-11.9%
Others	0.0	0.0	-	0.0	-
Finance cost	(109.2)	(94.1)	16.0%	(146.7)	-25.6%
Share of profit of associates	3.4	(4.3)	-179.1%	0.8	325.0%
Share of profit of joint ventures	12.5	(5.3)	-335.8%	10.1	23.8%
EI	100.4	(490.7)	-120.5%	101.2	-0.8%
Profit before tax	580.2	522.6	11.0%	585.6	-0.9%
Taxation	(17.9)	(42.1)	-57.5%	(23.8)	-24.8%
Non-controlling interests	9.4	15.9	-40.9%	5.9	59.3%
PATAMI	741.4	(11.8)	-6383.1%	705.7	5.1%
Core Net profit	641.0	478.9	33.8%	604.5	6.0%
Core EPS (sen)	14.4	10.7	33.8%	13.5	6.0%
DPS (sen)	8.0	14.0		8.0	
Operating margin	23.0%	43.4%		26.8%	
PBT margin	20.1%	18.6%		20.8%	
Net margin	25.6%	-0.4%		25.1%	
Core net margin	22.2%	17.0%		21.5%	
Effective tax rate	3.1%	8.1%		4.1%	

Source: Company, Kenanga Research

26 May 2026

Segment Breakdown (USD)

Segment Results	1Q	4Q	Q-o-Q	1Q	Y-o-Y
FYE Dec (USD m)	FY26	FY25	Chg	FY25	Chg
Revenue					
Gas & Asset Solutions	99.0	102.0	-2.9%	143.0	-30.8%
Petroleum	382.0	324.0	17.9%	281.0	35.9%
Offshore Business	107.0	117.0	-8.5%	115.0	-7.0%
Marine & Heavy Engineering	132.0	139.0	-5.0%	102.0	29.4%
Core PBT					
Gas & Asset Solutions	33.0	(96.0)	-134.4%	47.0	-29.8%
Petroleum	129.0	81.0	59.3%	67.0	92.5%
Offshore Business	19.0	16.0	18.8%	47.0	-59.6%
Marine & Heavy Engineering	4.0	12.0	-66.7%	3.0	33.3%
Core PBT Margin					
Gas & Asset Solutions	33.3%	-94.1%		32.9%	
Petroleum	33.8%	25.0%		23.8%	
Offshore Business	17.8%	13.7%		40.9%	
Marine & Heavy Engineering	3.0%	8.6%		2.9%	

Source: Company, Kenanga Research

Sum-of-Parts Valuation

	(RM m)	Valuation metric
LNG	12,979	DCF at 7% discount rate
Offshore	14,347	DCF at 6% discount rate
Petroleum shipping	15,780	Tanker market value
MMHE	707	0.4x PBV
Net Debt	(5,719)	Based on FY27F
Sum-of-parts value	38,094	
No. of share (m)	4,463.8	
ESG premium / discount	5%	
SOP / share	9.00	

Source: Company, Kenanga Research

26 May 2026

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	OP	0.330	0.410	24.2%	1,956.2	Y	12/2026	4.0	3.6	-27.0%	-10.6%	8.3	9.3	0.4	5.2%	82.0	248.5%
DAYANG ENTERPRISE HLDGS BHD	OP	1.83	2.45	33.9%	2,118.7	Y	12/2026	16.1	18.8	7.8%	17.0%	11.4	9.7	1.1	9.8%	11.0	6.0%
DIALOG GROUP BHD	OP	2.02	2.63	30.2%	11,398.2	Y	06/2026	10.4	11.8	31.4%	12.8%	19.4	17.2	1.8	9.9%	5.0	2.5%
LIANSON FLEET GROUP BHG	OP	1.68	1.91	13.7%	1,956.4	Y	12/2026	9.8	12.9	142.4%	32.3%	10.5	15.5	1.0	13.2%	400.0	238.1%
KEYFIELD INTERNATIONAL	OP	1.59	2.00	25.8%	1,284.1	Y	12/2026	10.2	18.0	-25.6%	76.1%	15.6	8.8	1.6	10.5%	6.0	3.8%
MISC BHD	OP	8.25	9.00	9.1%	36,825.9	Y	12/2026	51.1	53.4	-0.4%	4.6%	16.4	15.7	1.1	6.2%	36.0	4.4%
PETRONAS CHEMICALS GROUP	OP	5.34	5.40	1.1%	42,720.0	Y	12/2026	29.5	13.2	275.0%	-55.4%	18.1	40.5	1.1	6.5%	15.0	2.8%
PETRONAS DAGANGAN BHD	MP	17.82	21.20	19.0%	17,703.4	Y	12/2026	116.9	116.5	5.7%	-0.4%	15.2	15.3	2.9	19.1%	94.0	5.3%
UZMA BHD	OP	0.415	0.700	68.7%	250.5	Y	06/2026	14.8	15.9	6.9%	7.5%	2.8	2.6	0.2	8.5%	0.0	0.0%
VELESTO ENERGY BHD	MP	0.310	0.320	3.2%	2,562.3	Y	12/2026	1.7	2.1	-18.7%	19.3%	18.0	15.1	1.1	6.0%	3.0	9.7%
WASCO BHD	OP	0.830	1.32	59.0%	642.7	Y	12/2026	1.4	1.7	-37.5%	23.1%	60.8	49.4	5.2	9.0%	5.0	6.0%
YINSON HOLDINGS BHD	OP	2.01	2.84	41.3%	5,874.0	N	01/2027	16.6	20.4	20.3%	22.3%	12.1	9.9	1.2	10.1%	6.0	3.0%
SECTOR AGGREGATE					125,292.5					68.1%	-11.3%	16.2	18.3	1.6	9.5%		44.2%

Source: Kenanga Research

Stock ESG Ratings:

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

☆ 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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
 Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

