MISC (MISC MK)

Tanker Boom Party Is Still On

Highlights

- **Share price has adequately retraced to reflect M&A event risks.** Following after its strong 2Q26 results, we still like the stock's long-term strategy. However, we had previously expected share price to underperform in 2H26 relative to 1H26. Since then, share price has retraced by about 8%.
- **The tanker boom supercycle may be stronger this time vs 1H26.** Unlike the past, tankers are now increasingly being considered as strategic assets for energy security. Considering that MISC is the only local listed proxy, we see trading opportunities for investors to capitalise on the tanker boom. We also assume that there is still upside to consensus near-term earnings forecast for the petroleum division. Maintain BUY, with a target price of RM9.50.

Analysis

- **VLCC spot rates recently hit US$1m.** The surge in tanker rates is due to inefficiencies arising from the effective closure of the Strait of Hormuz since the onset of the US-Iran war. The Middle East situation has been increasingly volatile, including severe US-Iran kinetic re-engagements in the Straits, alongside Houthi forces recently closing in on the Bab el-Mandeb Strait, which caused a major prolonged disruption of Saudi oil flows to the Red Sea. These decoupled VLCC earnings and pushed rates to all-time highs. For the week ending 4 Sep 26, average VLCC daily spot rates closed at US$376,871, but several reports cited VLCC rates for Gulf-China routes were over US$800,000.
- **2026 tanker boom exceeded only once, by 2004-2008 supercycle**. That supercycle was a demand-driven multi-year boom as China's economy accelerated after it joined the World Trade Organisation. The 2026 cycle is being driven by supply-side, factor-specific disruptions caused by vessel supply constraints, global maritime chokepoints, and sanctions, which have created inefficiencies and extended routes, boosting tonne-miles even as demand declines.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	13,237	11,146	12,889	13,613	13,727
EBITDA	4,223	4,780	4,692	5,285	5,199
Operating profit	1,284	2,226	2,987	3,432	3,181
Net profit (rep./act.)	1,194	1,700	2,676	3,109	2,865
Net profit (adj.)	2,340	2,368	2,676	3,109	2,865
EPS (x)	52.4	53.1	60.0	69.6	64.2
PE (x)	16.8	16.7	14.8	12.6	13.8
P/B (x)	1.1	1.2	1.1	1.1	1.1
EV/EBITDA (x)	10.0	10.0	8.9	8.2	7.5
Dividend yield (%)	4.1	4.1	4.4	4.1	4.4
Net margin (%)	14.9	9.0	18.5	20.8	22.8
Net debt/(cash) to equity (%)	23.4	19.9	23.0	23.4	24.0
Consensus net profit			2,481	2,668	2,781
UOBKH/Consensus (x)			1.08	1.16	1.03

Source: MISC Berhad, Bloomberg, UOB Kay Hian

Analyst(s)

Kong Ho Meng

homeng@uobkh.com

+603 2147 1987

BUY (Maintained)

Share Price	RM7.81
Target Price	RM9.50
Upside	+12.0%

Stock Data

Sector	Energy
Bloomberg ticker	MISC MK
Shares issued (m)	4,463.7
Market cap (RMm)	37,853.0
Market cap (US$m)	9,346.0
3-mth avg daily t'over (US$m)	1.25

Price Performance (%

52-week high/low				RM0.37/RM0.20
1mth	3mth	6mth	1yr	YTD
4.4	4.8	5.1	11.7	8.

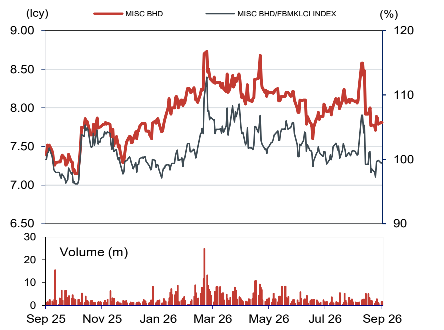
Major Shareholders (%)

Petronas	51.1
EPF	12.5

Balance Sheet Metrics

FY26 NAV/Share (RM)	RM6.15
FY26 Net Debt/Share (RM)	n.m.

Price Chart



Source: Bloomberg

Company Description

Shipping company. It employs finance lease accounting for assets in which it has long-term charter contracts, especially Liquefied Natural Gas Carriers (LNGC) and Very Large Ethane Carriers (VLEC). Within its petroleum fleet, it operates Very Large Crude Carriers (VLCC), mid-sized tankers (MST), and Dynamic Positioning Shuttle Tankers (DPST). The offshore division operates Floating, Production, Storage and Offloading (FPSO) vessels, including FPSO Marechal Duque de Caxias (Mero-3). It is also the parent company of Malaysia Marine Heavy Engineering (MMHE).

- **Bull run spreads to tanker asset values.** A VLCC newbuild (2026) at Hengli was reportedly sold to Iraqi buyers for US$200m, far above the 65-year average of US$120m. Kpler also suggested VLCC daily earnings could stay above US$100,000, which is more than double historical levels. While Brent exceeded US$100/bbl, the more drastic response in freight shows that tanker security has taken centre stage over crude/feedstock security. Note that Kuwait Petroleum is seriously considering adding its own strategic tanker fleet, following Abu Dhabi National Oil Co's (ADNOC) buying spree.
- **Recap: Petroleum division had strongest quarterly profit on record**. The segment's 2Q26 profit of US$232m alone already matched American Eagle Tankers' (AET) 2023 profit base of US$236m. Stripping out the US$23m net income adjustment for two MCVs and a US$34m VLCC disposal gain, the petroleum segment's 2Q26 profit was still US$175m vs 1Q26's US$129m (which contained a US$40m VLCC disposal gain). Note that prior to this, the petroleum segment's quarterly PAT had never hit US$100m. In line with other public listed crude tanker peers' 2Q26 review, AET also benefitted by strategically boosting its spot mix to 30% from <20% previously. If we assume MISC continues to actively manage its crude tanker fleet with the same intensity demonstrated in 2Q26, MISC could positively surprise the market with its 2H26 earnings.
- **Gas carriers do not enjoy the same recovery as tankers.** Vortexa believes that that LNG carrier (LNGC) and LNG supply may not be in balance until 2028, when new LNG supply terminals operational start make aaaaaaZ.
- **Valuation/Recommendation**
- **Maintain BUY, with an SOTP-based target price of RM9.50** implying 14x 2027F PE. We retain our 25% LNG discount in our SOTP to account for LNGC impairment risks in the 2026 horizon, although LNGC earnings appear to have reached a bottom at this juncture. We retain the high 1.4x P/B valuation for petroleum to factor in positive trading sentiment even though spot rates have reverted to pre-war levels.
- **Range-bound, trading opportunity possible**. We earlier took the view that, despite our fundamental liking for the stock, MISC was unlikely to replicate its commendable 1H26 price outperformance in 2H26. This was primarily because MISC has confirmed that it is considering the privatisation of Yinson. Also, the deal's timing uncertainties and MISC's financial appetite (net debt/EBITDA of 3x) may contribute to a volatile outcome; hence, we advise risk-averse investors to wait and see.
- **However, we now see that share price has adequately retraced.** Considering that MISC is the only local listed proxy, we see trading opportunities for investors to capitalise on the tanker boom. We also assume that there is still upside to consensus near-term earnings forecast for the petroleum division.
- **Earnings Revision/Risk**
- **Maintain forecasts,** as each segment's outlook is as per our expectation. For the petroleum segment, we may consider changing our forecasts after monitoring developments over the next few weeks.

Tanker TCE* Earnings

				last 12 months		
		04 Sept	w-o-w %	min	avg	max
Baltic tanker indices						
BDTI		2,805	1.0%	1,066	2,024	3,737
BCTI		1,427	2.9%	544	1,159	2,202
VLCC						
VLCC-TCE	$/day	$ 376,871	12.8%	$ 37,869	$ 163,923	$ 376,87
1 year period	$/day	$ 141,000	4.6%	$ 43,250	$ 92,910	$ 141,0
Suezmax						
Suezmax-TCE	$/day	$ 151,494	-18.1%	$ 56,045	$ 124,965	$ 296,5
1 year period	$/day	$ 93,750	-0.3%	$ 35,750	$ 60,712	$ 94,00
Aframax						
Aframax-TCE	$/day	$ 64,556	-6.0%	$ 33,625	$ 76,420	$ 232,6
1 year period	$/day	$ 63,000	-0.4%	$ 30,000	$ 49,090	$ 71,25

*Source: Allied Shipping Weekly *Note: Time Charter Equivalent (TCE)*

Environmental, Social, Governance (ESG) Updates

Environmental

- Carbon (CO2) reduction. Adding new vessels with LNG-dual/ ammonia fuel to meet IMO aspirations (50% greenhouse gas & 70% CO2 reduction by 2050.
- Safety (HSE). Lost Time Injury Frequency (LTIF) quadrupled to 0.20 and missed the target of 0.17 in 2025, due to one fatality. Corrective measures had been undertaken.

Social

- Diversity. >40% female proportion among onshore staff.

Governance

- Achieved 5/5 rating (FTSE4Good) for governance & supply chain management.

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	11,146	12, 889	13,613	13,727
EBITDA	4,780	4,692	5,285	5,199
Deprec. & amort.	18,865	18,159	17,704	17,602
Associate contributions	29	312	330	312
Pre-tax profit	2,226	2,987	3,432	3,181
Tax	(124)	(63)	(72)	(71)
Minorities	(38)	(249)	(251)	(245)
Net profit	1,700	2,676	3,109	2,865
Net profit (adj.)	2,368	2,676	3,109	2,865

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	20,863	22,963	25,063	27,163
Other LT assets	27,848	28,266	29,018	29,778
Cash/ST investment	3,747	3,522	2,652	1,666
Other current assets	3,716	3,748	3,849	3,953
Total assets	53,014	55,228	57,607	59,979
ST debt	6,651	6,401	5,901	5,401
Other current liabilities	7,196	6,999	7,037	7,102
LT debt	8,402	8,152	7,652	7,152
Other LT liabilities	3,451	3,451	3,451	3,451
Minority interest	3,711	3,978	4,245	4,512
Total liabilities & equity	53,014	55,228	57,607	59,979

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	4,277	4,753	5,296	5,904
Pre-tax profit	1,284	2,746	3,041	3,482
Tax	74	(58)	(64)	(73)
Other operating cashflows	2,919	2,064	2,319	2,495
Investing	(1,192)	(2,627)	(3,827)	(3,827)
Capex (growth)	(1,985)	(4,620)	(4,620)	(4,620)
Others	793	1,993	793	793
Financing	(4,166)	(2,011)	(2,011)	(2,011)
Others/interest paid	(4,166)	(2,011)	(2,011)	(2,011)
Net cash inflow (outflow)	(1,080)	115	(542)	67
Beginning cash & cash equivalent	7,732	6,677	6,793	6,252
Changes due to forex impact	25	1	1	1
Ending cash & cash equivalent	6,677	6,793	6,252	6,320

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	46.4	48.7	49.7	50.5
Pre-tax margin	8.5	15.0	21.6	24.4
Net margin	3.1	5.2	8.6	10.1
ROA	0.7	1.3	2.2	2.7
ROE	1.8	3.1	5.3	6.3
Growth				
Turnover	(47.4)	0.9	2.7	2.8
EBITDA	(50.9)	5.7	4.9	4.4
Pre-tax profit	(61.2)	78.7	48.1	16.2
Net profit	(54.4)	70.7	68.8	20.3
Net profit (adj.)	(53.8)	3.2	11.7	16.1
EPS	(6.3)	24.0	38.5	60.8
Leverage				
Debt to total capital	40.4	40.2	40.4	40.2
Debt to equity	41.2	41.3	41.7	41.6
Net debt/(cash) to equity	23.4	23.6	25.9	26.2
Interest cover	5.8	7.0	7.6	8.2