

Malaysia

ADD (no change)

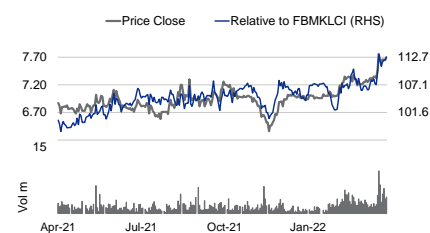
Consensus ratings*: Buy 14 Hold 2 Sell 0

Current price:	RM7.69
Target price:	RM8.36
Previous target:	RM8.23
Up/downside:	8.8%
CGS-CIMB / Consensus:	6.2%
Reuters:	MISC.KL
Bloomberg:	MISC MK
Market cap:	US\$8,111m
	RM34,326m
Average daily turnover:	US\$4.00m
	RM16.82m
Current shares o/s:	4,464m
Free float:	8.8%

*Source: Bloomberg

Key changes in this note

- No change to core EPS forecasts.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	7	11.1	11.4
Relative (%)	5.2	8.5	11.6

Major shareholders

	% held
Petronas	57.6
EPF	11.1
PNB	8.8

Analyst(s)



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MISC Bhd

A strong year ahead for crude tankers

- Tanker freight rates rose substantially in the two weeks ended 8 Apr, as the Russia-Ukraine war increased shipping distances and tonne-mile demand.
- Reiterate Add with higher SOP-based TP of RM8.36, as we increase the end-CY22F secondhand crude oil tanker price assumptions by another 10%.
- The release of strategic reserves will be a key catalyst, as well as potentially higher output from Saudi Arabia and the UAE and a US-Iran sanctions deal.

Higher tonne-miles as Europe imports oil from further away

Aframax and suezmax rates spiked in late-Feb 2022 as a consequence of the Russia-Ukraine war, particularly from Russian ports at Novorossiysk (Black Sea) and Primorsk (Baltic Sea), as Russian exporters lured reluctant tanker operators to load in Russia (see our [8 Mar](#) note). Since then, tanker rate increases have spread to other route regions and also benefitted VLCCs. As Europe sought to avoid Russian oil, it purchased from the US and Latin America, from the Middle East, from West Africa, from the Mediterranean, as well as from the North Sea. The positive tonne-mile effects of the above have so far more than offset the decline in Russian oil exports, which the International Energy Agency (IEA) expects to fall by 1.5 mbpd in Apr with the fall widening to 3 mbpd by May. Nevertheless, the decline has been mitigated by higher Indian imports of Russian crude (India has sought at least 16m bbl of Russian oil since 24 Feb 2022, similar to imports in all of 2021, according to Reuters), and higher Russian exports from the Far East port of Kozmino to Chinese teapot refineries (3.3m tonnes for May vs. 3.1m tonnes for Apr).

Release of US strategic reserves to benefit MISC's US-based afras

IEA members recently agreed to release 240m bbl of oil reserves over six months from May to Oct (of which the US will release 180m bbl), or 1.3 mbpd. The released US barrels may be used domestically, as well as exported, according to shipbroker Gibsons. Since US oil is primarily exported to Europe on afraxes, MISC will be in the direct path of this tailwind, as most of its afraxes are based in the US Gulf, and at least 40% are trading spot. MISC may also benefit from higher VLCC and suezmax rates.

Additional catalysts: higher OPEC output, Iran sanctions relief

Saudi Arabia and the UAE, holding 74% of the spare capacity of the 10 OPEC members that are subject to production quotas, have not stepped up output to compensate for the loss of Russian exports or to make up for the failure of their OPEC and non-OPEC allies to produce according to plan. OPEC-10 raised production by only 0.12 mbpd in Mar vs. the plan to increase output by 0.25 mbpd, while its non-OPEC allies' production fell by 0.07 mbpd in Mar vs. an intended increase of 0.15 mbpd. Tanker freight rates may see a boost in the future if Saudi Arabia and the UAE take steps to specially raise production, and if the US and Iran come to an accommodation on sanctions relief, which may result in an Iranian export lift of 1.4 mbpd. Downside risks: slowdown in demand growth due to the Shanghai Covid-19 lockdown, higher-than-expected drop in Russian oil exports.

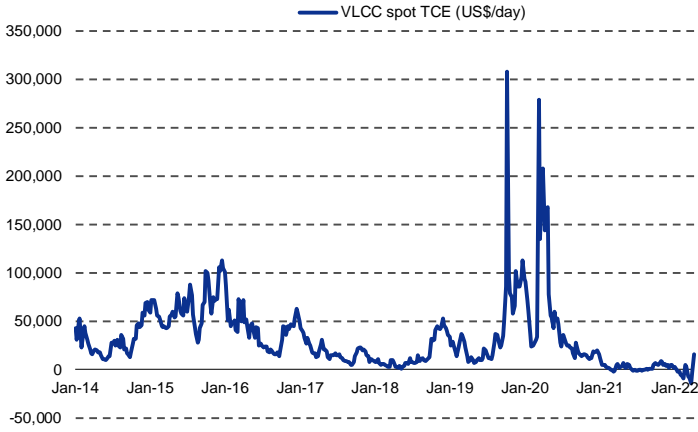
Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (US\$m)	2,237	2,575	3,145	2,990	2,521
Operating EBITDA (US\$m)	914	848	1,183	1,134	1,059
Net Profit (US\$m)	(10.7)	434.3	655.4	602.6	542.4
Core EPS (US\$)	0.11	0.10	0.15	0.13	0.12
Core EPS Growth	23.2%	(2.9%)	40.2%	(8.1%)	(10.0%)
FD Core P/E (x)	16.84	17.35	12.38	13.46	14.95
DPS (US\$)	0.079	0.080	0.079	0.079	0.079
Dividend Yield	4.32%	4.39%	4.32%	4.32%	4.32%
EV/EBITDA (x)	10.66	12.04	8.43	8.00	7.52
P/FCFE (x)	16.39	72.21	7.91	5.57	6.45
Net Gearing	19.9%	26.0%	22.8%	12.6%	0.5%
P/BV (x)	1.01	0.99	0.95	0.93	0.91
ROE	5.83%	5.76%	7.85%	6.98%	6.13%
% Change In Core EPS Estimates			(0%)	(0%)	0%
CGS-CIMB/Consensus EPS (x)			1.37	1.21	1.04

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

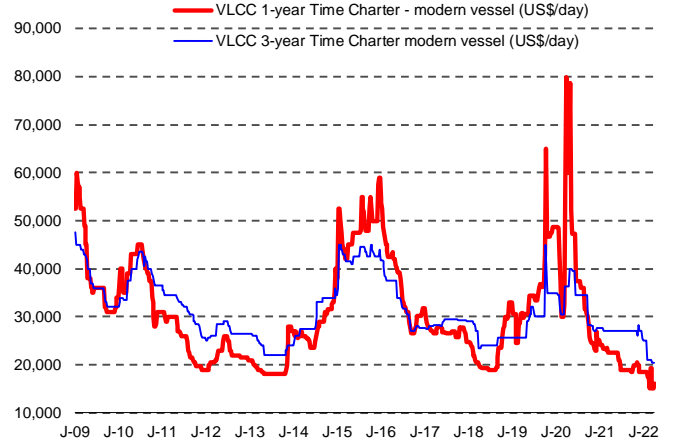
Crude tanker shipping rates ➤

Figure 1: VLCC crude tanker spot TCE rates (US\$/day)



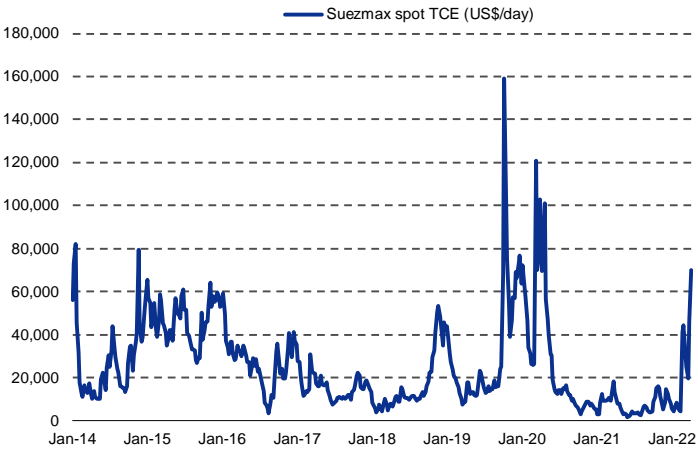
SOURCES: CGS-CIMB RESEARCH, CLARKSON RESEARCH SERVICES

Figure 2: VLCC crude tanker time charter rates (US\$/day)



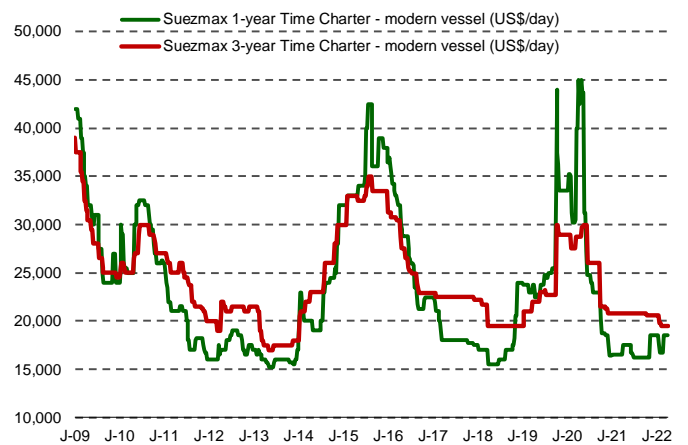
SOURCES: CGS-CIMB RESEARCH, CLARKSON RESEARCH SERVICES

Figure 3: Suezmax crude tanker spot TCE rates (US\$/day)



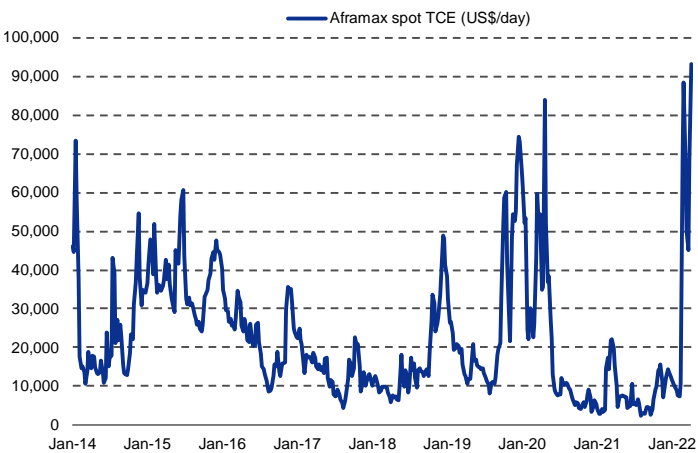
SOURCES: CGS-CIMB RESEARCH, CLARKSON RESEARCH SERVICES

Figure 4: Suezmax crude tanker time charter rates (US\$/day)



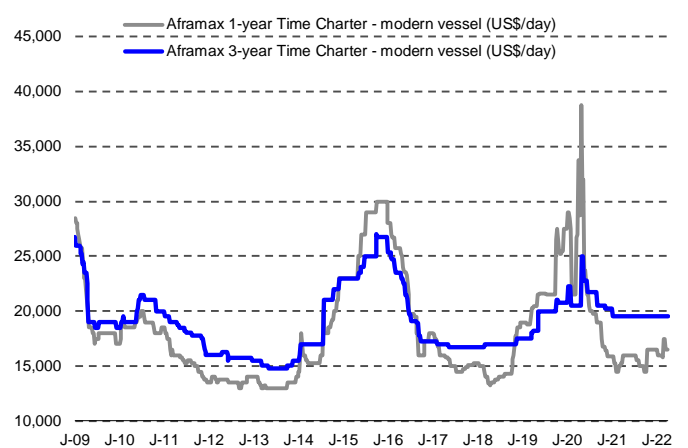
SOURCES: CGS-CIMB RESEARCH, CLARKSON RESEARCH SERVICES

Figure 5: Aframax crude tanker spot TCE rates (US\$/day)



SOURCES: CGS-CIMB RESEARCH, CLARKSON RESEARCH SERVICES

Figure 6: Aframax crude tanker time charter rates (US\$/day)



SOURCES: CGS-CIMB RESEARCH, CLARKSON RESEARCH SERVICES

Figure 7: Dirty Tanker Time Charter Equivalent Rates (US\$/day)

	VLCC spot average (US\$/day)					Suezmax spot average (US\$/day)					Aframax spot average (US\$/day)				
	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year
2009	45,134	20,955	16,850	30,799	28,434	38,011	22,703	13,828	28,391	25,733	22,227	12,395	6,401	16,458	14,370
2010	48,964	48,078	19,065	20,132	33,797	33,035	34,799	18,073	25,548	27,820	21,807	21,109	12,333	15,512	17,649
2011	24,680	14,793	7,567	16,119	18,263	24,599	15,728	10,151	23,251	18,154	16,574	10,931	7,252	14,756	12,199
2012	26,194	27,441	4,860	14,942	21,187	24,569	19,782	10,276	13,005	16,908	14,501	14,087	10,359	11,216	12,541
2013	7,115	11,209	11,674	34,870	18,621	14,576	11,987	11,704	23,777	15,511	12,934	12,659	12,612	18,318	14,131
2014	29,398	13,824	22,090	43,948	30,015	31,041	15,940	23,330	40,851	27,791	29,173	15,182	22,386	32,078	24,705
2015	55,239	60,940	55,811	87,395	64,846	50,455	46,923	37,123	52,352	46,713	39,715	42,542	30,006	39,643	37,977
2016	58,367	42,969	19,659	46,639	41,488	37,914	28,222	15,508	29,554	27,567	30,197	24,483	13,741	24,148	22,965
2017	26,518	18,229	10,092	16,334	17,794	19,690	14,452	10,646	16,957	15,436	18,591	13,404	9,238	14,260	13,873
2018	6,701	5,301	9,909	40,331	15,561	6,588	10,364	11,489	37,422	16,466	9,829	9,662	13,562	31,646	16,175
2019	25,625	11,565	25,504	102,761	41,364	21,391	15,425	16,602	72,822	31,560	22,661	14,636	14,748	52,853	26,225
2020	84,557	88,907	23,711	15,404	53,145	55,001	47,275	12,229	6,455	30,240	41,610	32,624	8,698	5,713	22,161
2021	3,989	2,837	503	5,378	3,177	9,156	5,177	4,173	10,547	7,263	10,527	7,648	4,281	11,093	8,387
2022	-3,590	6,479			1,444	16,666	58,074			37,370	32,266	80,960			56,613
Change yoy (%)															
2010	8.5%	129.4%	13.1%	-34.6%	18.9%	-13.1%	53.3%	30.7%	-10.0%	8.1%	-1.9%	70.3%	92.7%	-5.8%	22.8%
2011	-49.6%	-69.2%	-60.3%	-19.9%	-46.0%	-25.5%	-54.8%	-43.8%	-9.0%	-34.7%	-24.0%	-48.2%	-41.2%	-4.9%	-30.9%
2012	6.1%	85.5%	-35.8%	-7.3%	16.0%	-0.1%	25.8%	1.2%	-44.1%	-6.9%	-12.5%	28.9%	42.8%	-24.0%	2.8%
2013	-72.8%	-59.2%	140.2%	133.4%	-12.1%	-40.7%	-39.4%	13.9%	82.8%	-8.3%	-10.8%	-10.1%	21.8%	63.3%	12.7%
2014	313.2%	23.3%	89.2%	26.0%	61.2%	113.0%	33.0%	99.3%	71.8%	79.2%	125.5%	19.9%	77.5%	75.1%	74.8%
2015	87.9%	340.8%	152.7%	98.9%	116.0%	62.5%	194.4%	59.1%	28.2%	68.1%	36.1%	180.2%	34.0%	23.6%	53.7%
2016	5.7%	-29.5%	-64.8%	-46.6%	-36.0%	-24.9%	-39.9%	-58.2%	-43.5%	-41.0%	-24.0%	-42.5%	-54.2%	-39.1%	-39.5%
2017	-54.6%	-57.6%	-48.7%	-65.0%	-57.1%	-48.1%	-48.8%	-31.3%	-42.6%	-44.0%	-38.4%	-45.2%	-32.8%	-40.9%	-39.6%
2018	-74.7%	-70.9%	-1.8%	146.9%	-12.5%	-66.5%	-28.3%	7.9%	120.7%	6.7%	-47.1%	-27.9%	46.8%	121.9%	16.6%
2019	282.4%	118.2%	157.4%	154.8%	165.8%	224.7%	48.8%	44.5%	94.6%	91.7%	130.5%	51.5%	8.7%	67.0%	62.1%
2020	230.0%	668.8%	-7.0%	-85.0%	28.5%	157.1%	206.5%	-26.3%	-91.1%	-4.2%	83.6%	122.9%	-41.0%	-89.2%	-15.5%
2021	-95.3%	-96.8%	-97.9%	-65.1%	-94.0%	-83.4%	-89.0%	-65.9%	63.4%	-76.0%	-74.7%	-76.6%	-50.8%	94.2%	-62.2%
2022	-190.0%	128.4%			-54.5%	82.0%	1021.8%			414.5%	206.5%	958.5%			575.0%

SOURCES: CGS-CIMB RESEARCH, BALTIC EXCHANGE, CLARKSON RESEARCH SERVICES

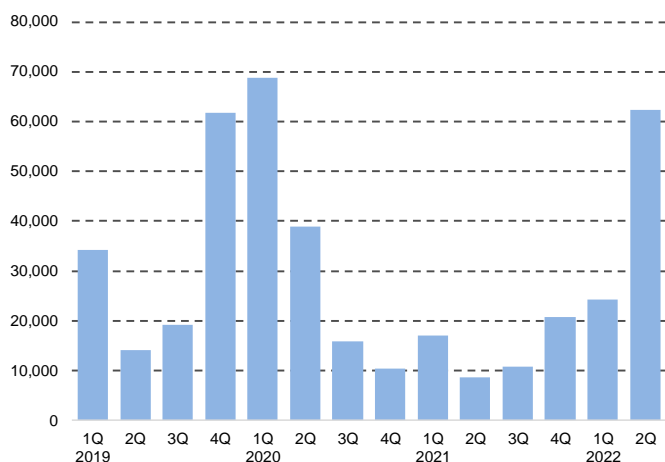
Aframax tanker shipping rates ➤

Figure 8: Aframax time charter equivalent (TCE) rates

Route (country to country)	Route (port to port)	18-Feb-22	25-Feb-22	4-Mar-22	11-Mar-22	18-Mar-22	25-Mar-22	1-Apr-22	8-Apr-22	Cumulative change
		US\$/day	US\$/day	US\$/day	US\$/day	US\$/day	US\$/day	US\$/day	US\$/day	US\$/day
Average aframax rates		10,723	68,403	88,494	68,306	50,300	45,091	68,672	93,247	82,524
North/Latin America - Europe										
Caribbean - Germany	Curacao - Hamburg	28,702	34,114	37,607	18,860	23,379	43,217	58,306	66,516	37,814
US - Europe	Corpus Christi - Rotterdam	15,583	18,985	17,536	6,335	10,449	23,678	33,137	40,875	25,292
Within the US Gulf										
Caribbean - US	Curacao - Texas	18,362	25,643	21,258	10,857	11,538	18,738	33,900	53,762	35,400
Within Europe/Mediterranean										
UK - Italy	Hound Point - Trieste	-236	24,241	40,290	4,970	7,673	-347	13,922	23,286	23,522
Egypt - Italy	Sidi Kerir - Trieste	5,455	65,944	47,220	6,218	11,728	8,075	20,266	52,445	46,990
Russian Black Sea - Italy	Novorossiysk - Augusta	12,229	174,157	173,438	155,486	114,582	106,458	106,428	91,242	79,013
Russian Baltic - Germany	Primorsk - Wilhelmshaven	3,620	131,805	236,288	262,350	159,467	124,310	228,230	327,915	324,295
Within Asia										
Russian Far East - China	Kozmino - Qingdao	3,684	3,041	34,082	34,234	38,848	35,483	36,703	38,006	34,321
Singapore - Japan	Singapore - Chiba	12,156	11,473	7,475	5,294	10,191	6,619	3,147	4,530	-7,626

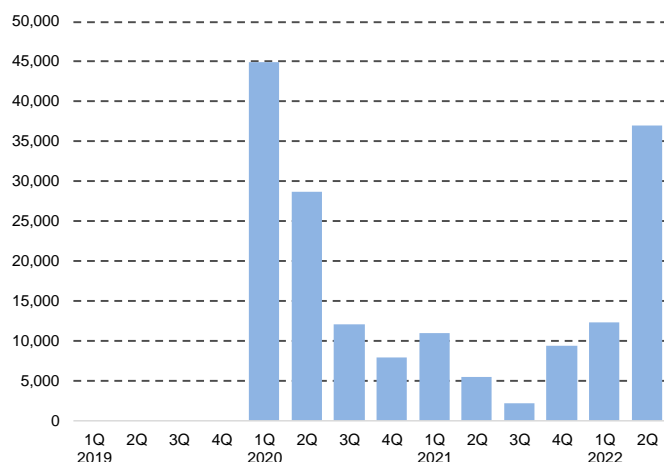
SOURCES: CGS-CIMB RESEARCH, CLARKSON RESEARCH SERVICES

Figure 9: Aframax average quarterly TCE rates (US\$/day) - Curacao (Latin America) to Hamburg (Europe)



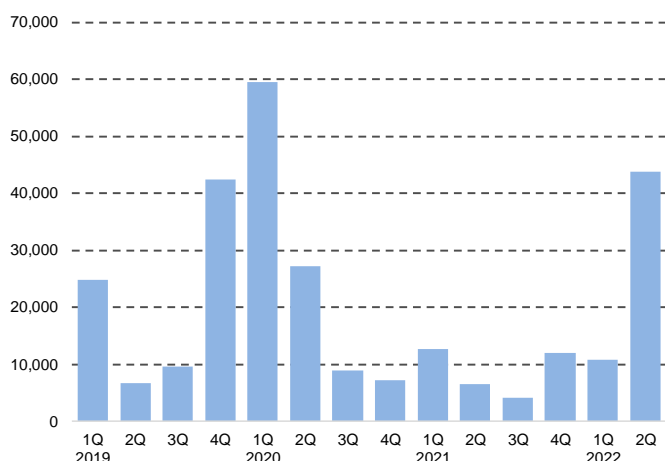
SOURCES: CGS-CIMB RESEARCH, CLARKSON RESEARCH SERVICES

Figure 10: Aframax average quarterly TCE rates (US\$/day) - Corpus Christi (US) to Rotterdam (Europe)



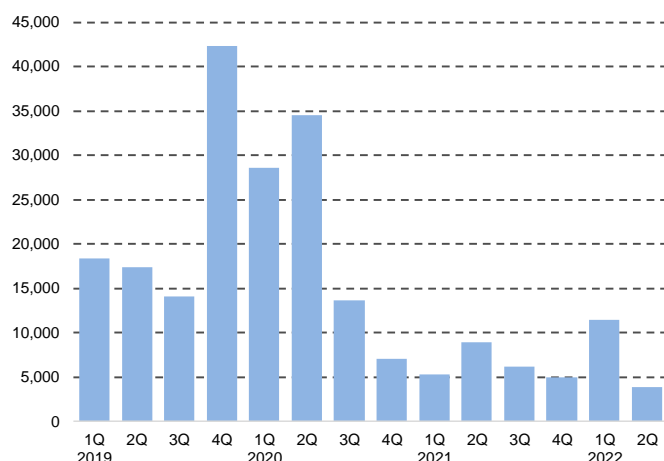
SOURCES: CGS-CIMB RESEARCH, CLARKSON RESEARCH SERVICES

Figure 11: Aframax average quarterly TCE rates (US\$/day) - Curacao (Latin America) to Texas (US)



SOURCES: CGS-CIMB RESEARCH, CLARKSON RESEARCH SERVICES

Figure 12: Aframax average quarterly TCE rates (US\$/day) - Singapore (SE Asia) to Chiba (Japan)



SOURCES: CGS-CIMB RESEARCH, CLARKSON RESEARCH SERVICES

Reiterate Add, with higher target price of RM8.36 ➤

We reiterate our Add recommendation, with a higher SOP-based target price of RM8.36, from RM8.23 previously.

Potential re-rating catalysts include:

- A strong recovery in tanker rates in 2022F, as OPEC+ and non-OPEC nations are likely to raise output this year on the back of very strong price stimulus, because China may import more crude this year, Iran may reenter the export markets if it comes to an agreement with the US on its nuclear programme, and the likelihood that Europe will import crude oil from more distant sources (rather than buy from Russia) thereby raising annual tonne-mile demand for tankers for the first time after three consecutive annual declines. Tanker tonne-mile demand growth is also likely to exceed tanker fleet growth in 2022F for the first time in three years, according to Clarksons.
- The reopening of Malaysia's international borders on 1 April 2022 could also help boost the marine service and repair volumes of MISC's Malaysian Marine and Heavy Engineering (MMHE) shipyard.

- MISC also said that it was working on several FPSO and LNG ship tenders, and that the clients may award the time charter contracts in 2022F; the potential Atlantic Basin FPSO contract (Upstream reported this to be TotalEnergies' Cameia FPSO project in Angola) may involve a capex of US\$1bn-2bn. As FPSO contractors are currently very busy, MISC expects a suppliers' market and better pricing power. MISC is also planning to participate in bids for various LNG and ethane carrier time charter contracts.

Downside risks include the potential for the FPSO Mero-3 project to progress slower than planned, as this is MISC's first major overseas FPSO construction project, on behalf of Brazil's Petrobras. Petrobras had awarded MISC the time charter contract for the FPSO Mero-3 in August 2020, and MISC had awarded the FPSO conversion project to China's CIMC Raffles in January 2021. The FPSO must be delivered to Petrobras by late-2023F, in our estimate. By end-December 2021, which is more than one year since MISC secured the award from Petrobras, MISC estimated that it had completed c.33% of the project, which it admitted was slightly behind schedule, due to logistical challenges as a result of port congestion and container shipping capacity shortages (FPSO topside equipment and engineering parts are shipped from around the world). With two more years to go to complete the construction, MISC has the opportunity to catch up, but with limited room for error. Other downside risks include the possibility that tanker rates may correct and then stay depressed if Russian crude oil is orphaned and alternative suppliers do not step up to compensate for the lost volumes.

SOP and target price calculation ➤

Figure 13: MISC's SOP and target price, end-2022F

	Current portfolio of assets	Value (US\$ m)	Value (RM m)	Per share (RM)	Notes
1	LNG business	3,587.6	15,067.9	3.38	
	- Existing LNG carriers	1,886.1	7,921.7	1.77	DCF, discounted using Ke of 7.3% on 27 LNG vessels; Year 1 WACC of 4.4% on newer LNG ships rising to Ke of 7.3% in Year 13
	- FSU Lekas (x 2)	339.7	1,426.8	0.32	Estimated finance lease receivable on the two FSU Lekas vessels
	- MISC-Mitsubishi JV	107.7	452.4	0.10	Assume 25.5% stake for two 174,000 cbm LNG vessels delivered in 2021
	- MISC-Avenir JV	25.3	106.4	0.02	51% stake for one 7,500 cbm LNG bunkering vessel delivered in 1Q20
	- ExxonMobil charter	327.7	1,376.3	0.31	100% stake for two LNG vessels to be delivered in 1Q23F
	- VLEC tankers	901.1	3,784.4	0.85	DCF on 6 VLEC tankers; Year 1 WACC of 4.4% rising to Ke of 7.3% in Year 13
2	Offshore business	3,053.0	12,822.6	2.87	
	- Traditional assets	240.8	1,011.5	0.23	DCF, discounted using Ke of 7.3% on six offshore assets
	- FPSO Cendor	166.0	697.3	0.16	Estimated finance lease receivable
	- FPS Gumusut	1,610.3	6,763.4	1.52	Estimated finance lease receivable
	- FSO Benchamas 2	32.0	134.4	0.03	Estimated finance lease receivable
	- FSO Mekar Bergading	97.8	410.6	0.09	Estimated finance lease receivable
	- FSO Idemitsu	13.4	56.1	0.01	Estimated finance lease receivable
	- FPSO Mero-3	892.6	3,749.1	0.84	DCF, Ke 9.7% on US\$2bn capex, project IRR of c.10% over 22 years contract period
3	Tanker shipping business	3,989.6	16,756.4	3.75	
	- Petroleum tankers	1,690.1	7,098.6	1.59	Expected end-2022F values; assume 20% higher than end-2021 values
	- Petroleum tankers under construction	209.2	878.6	0.20	Capex to be spent in 2020-2022F that is not reflected in fleet value
	- Shuttle tankers	2,090.3	8,779.2	1.97	DCF on 17 shuttle tankers; Year 1 WACC of 4.4% rising to Ke of 7.3% in Year 13
4	Heavy Engineering	98.8	415.0	0.09	66.5% stake, based on price of RM0.39/share
5	Other fixed assets	453.6	1,905.2	0.43	Book value as at 31 December 2022F
6	Net cash/(debt)	-1,978.6	-8,310.1	-1.86	Forecast as at 31 December 2022F
7	Other net assets/(liabilities)	-315.2	-1,323.6	-0.30	
	SOP of current asset portfolio	8,888.9	37,333.4	8.36	

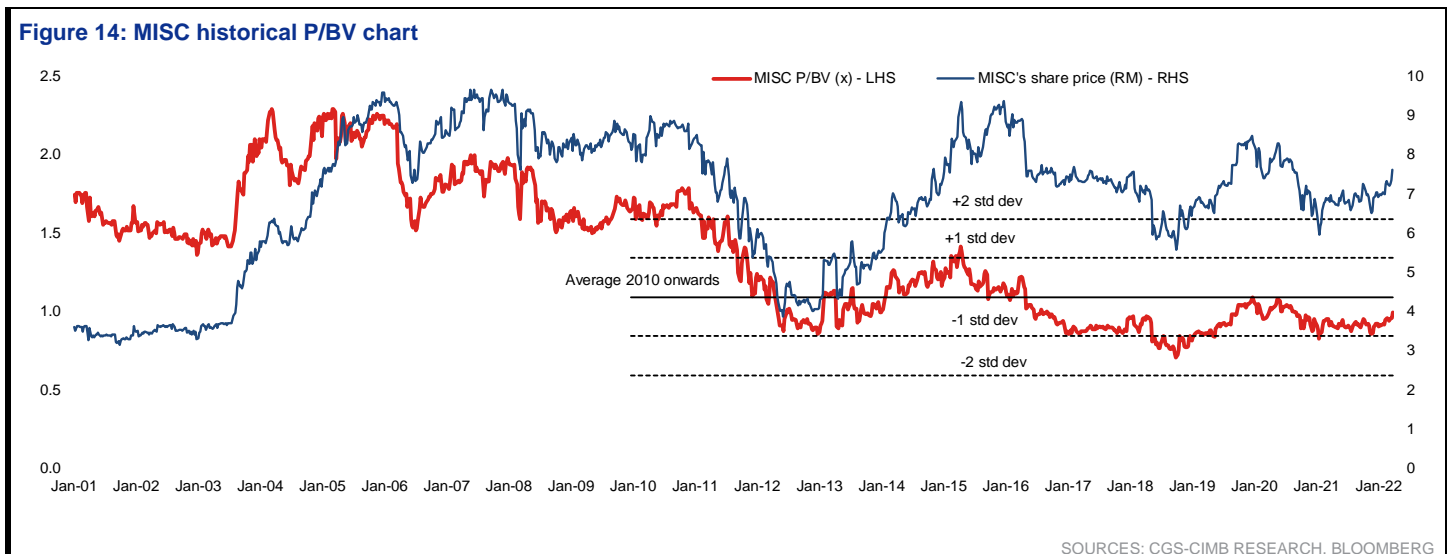
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Our SOP-based target price of RM8.36 is largely based on the DCF-value of MISC's LNG and offshore businesses, but we have incorporated the value of MISC's petroleum tanker business based on the expected liquidation value of its tanker fleet at the end of 2022F.

Our target price has been increased from RM8.23 previously, because we now assume that secondhand liquidation values of the crude tanker fleet at end-2022F will be 20% higher than values prevailing at end-2021, from 10% higher previously. This is because crude tanker secondhand liquidation values in early-April 2022 have already appreciated by 10% against end-2021 values. We expect the secondhand tanker values to continue rising, as we are bullish on crude tanker freight rates for the rest of this year.

Our target price of RM8.36 implies a historical P/BV of 1.09x, which is MISC's average P/BV since 2010.

Figure 14: MISC historical P/BV chart



Segmental breakdown and earnings revision tables ➤

Figure 15: MISC's revenue, PBT and net profit (US\$ m) by division

	2019	2020	2021	2022F	2023F	2024F
Revenue (US\$ m)	2,163.6	2,237.4	2,575.0	3,144.7	2,989.5	2,520.5
LNG	623.3	631.3	695.4	721.9	738.7	599.8
AET	1,039.2	919.5	771.9	933.7	1,015.2	1,037.4
Offshore subsidiaries	262.3	306.6	732.9	1,117.4	845.4	473.6
Heavy engineering	243.8	373.0	353.9	371.6	390.2	409.7
Liner	0.0	0.0	0.0	0.0	0.0	0.0
Others	-5.0	7.0	20.9	0.0	0.0	0.0
Profit before tax and one-offs (US\$ m)	410.1	486.9	453.8	668.0	614.5	552.1
LNG	251.7	249.5	276.6	300.4	302.5	224.8
AET	37.7	81.7	38.0	140.1	152.3	155.6
Offshore (including JVs) ^	126.6	190.9	222.3	259.8	189.2	202.2
- Offshore subsidiaries	77.0	87.6	149.8	214.9	159.9	183.8
- Offshore associates	49.6	103.3	72.5	44.9	29.3	18.4
Heavy engineering (MMHE) *	-9.5	-24.8	-63.9	-22.3	-19.5	-20.5
Liner	0.0	0.0	0.0	0.0	0.0	0.0
Others	3.5	-10.5	-19.2	-10.0	-10.0	-10.0
Core PBT margin (%)	19.0%	21.8%	17.6%	21.2%	20.6%	21.9%
LNG	40.4%	39.5%	39.8%	41.6%	41.0%	37.5%
AET	3.6%	8.9%	4.9%	15.0%	15.0%	15.0%
Offshore subsidiaries	29.3%	28.6%	20.4%	19.2%	18.9%	38.8%
Heavy engineering (MMHE) *	-3.9%	-6.6%	-18.1%	-6.0%	-5.0%	-5.0%

^ Offshore JVs include FPSO Espirito Santo (49%), FPSO Ruby II (40%), FPSO Kikeh (51%), and FSO Orkid (51%).

* PBT prior to 33.5% minority interest


SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

We have not changed our core EPS forecasts in this note. However, we highlight that on 6 April 2022, MISC issued US\$1bn in Global Medium Term Notes (GMTN), which is part of a US\$3bn programme that may also be issued in other currencies.

Of this US\$1bn GMTN:

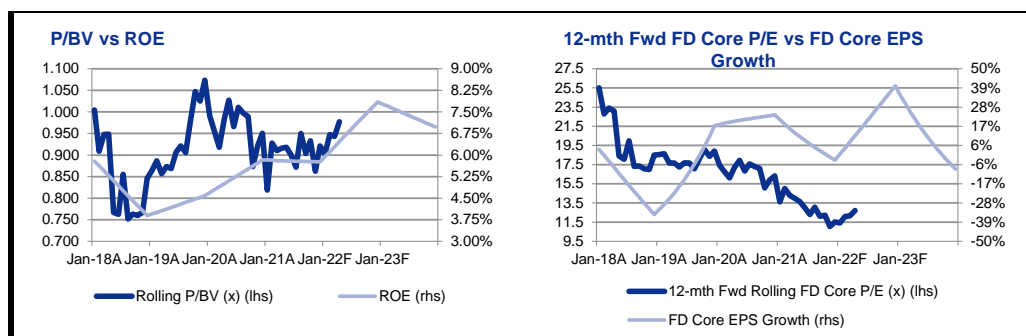
- US\$400m has a 3-year maturity (maturity date 6 April 2025F) with a 3.625% interest rate, while
- US\$600m has a 5-year maturity (maturity date 6 April 2027F) with a 3.75% interest rate.

The US\$1bn MTN will be used to refinance up to RM3bn (US\$714m) of term loans related to the Gumusut-Kakap Floating Production System project financing for which bankers may have decided to wholly or partially opt to seek repayment, as a consequence of the legal disputes between MISC and Sabah Shell. The rest may be used for general working capital and capex purposes.

ESG in a nutshell		Refinitiv ESG Scores					
							
		B+ ESG Score	A+ ESG Controversies Score	B+ ESG Combined Score	B- ESG Environment Pillar Score	A- ESG Social Pillar Score	B ESG Government Pillar Score
<p>MISC may be doubly impacted by the energy transition. In the short term, the International Maritime Organization (IMO) has set in motion the Energy Efficiency Existing Ship Index (EEXI) and the Carbon Intensity Index (CII) regulations to come into effect from 1 January 2023F, which may require MISC to take measures to progressively improve its shipping fleet's energy efficiency. While we believe that MISC's petroleum tanker fleet is likely to outperform its competitors once the EEXI/CII rules come into effect, MISC may be forced to accept discounts on the time charter rates of its ageing fuel-inefficient steam turbine LNG tanker fleet. Potential carbon taxes and a longer-term decline in fossil fuel demand may require MISC to revamp its business model in the transportation of fossil fuels and ownership of floating production assets. With a strong balance sheet and Petronas' target for net zero carbon emissions by 2050F, MISC is well-positioned to tap into these opportunities.</p>							
<p>Keep your eye on</p> <p>The IMO's EEXI and CII regulations will come into effect from 1 January 2023F, with the requirements to be tightened gradually to meet the IMO's goal of a 40% reduction in shipping's carbon intensity by 2030F.</p> <p>MISC has signed up to own a zero-carbon, ammonia fuelled ship by 2025F, or 2030F at the latest.</p>	<p>Implications</p> <p>Most of MISC's petroleum tanker vessels will have no problem meeting the challenges of the incoming rules, with lower carbon intensity than global averages. MISC stands to benefit from higher petroleum tanker freight rates if its competitors are forced to reduce sailing speeds. Conversely, steam turbine LNG tankers face greater challenges to meet the future requirements and MISC may have to slow down their sailing speeds materially, which could negatively impact its time charter rates. MISC's future ammonia-fuelled ship could help bolster its ESG credentials, as well as outperform regulatory requirements in the next decade.</p>						
<p>ESG highlights</p> <p>MISC has some of the best ESG disclosures among shipping companies, in our view, with disclosures improving significantly in Annual Report 2019 and Annual Report 2020. Notably, MISC discloses operating carbon intensity data for its petroleum and LNG tanker vessels with significantly more detail than we have seen from its peers.</p>	<p>Implications</p> <p>We expect MISC to improve its ESG disclosures further in Annual Report 2021, which is likely to be released in April 2022F, with a sharper focus on key environmental and regulatory issues. The transparency of MISC's disclosures should hopefully translate into better investor confidence.</p>						
<p>Trends</p> <p>MISC faces an existential threat from the world's effort to decarbonise, as it is a transporter of fossil fuels like crude oil and LNG and also an owner of floating production assets.</p>	<p>Implications</p> <p>MISC has time to respond to the existential threat, as global oil demand may continue to grow in the 2020s and plateau in the 2030Fs, before declining in the 2040s. MISC has already ventured into very large ethane carrier (VLEC) and LNG bunker vessel (LBV) segments; we expect these ship types to be resilient amid the energy transition.</p>						

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(US\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	2,237	2,575	3,145	2,990	2,521
Gross Profit	914	848	1,183	1,134	1,059
Operating EBITDA	914	848	1,183	1,134	1,059
Depreciation And Amortisation	-498	-471	-462	-452	-439
Operating EBIT	417	377	721	683	620
Financial Income/(Expense)	-61	-76	-98	-97	-87
Pretax Income/(Loss) from Assoc.	103	73	45	29	18
Non-Operating Income/(Expense)	28	80	0	0	0
Profit Before Tax (pre-EI)	487	454	668	614	552
Exceptional Items	-492	-33	0	0	0
Pre-tax Profit	-5	421	668	614	552
Taxation	-11	-10	-20	-18	-17
Exceptional Income - post-tax					
Profit After Tax	-16	411	648	596	536
Minority Interests	6	24	7	7	7
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	-11	434	655	603	542
Recurring Net Profit	482	467	655	603	542
Fully Diluted Recurring Net Profit	482	467	655	603	542

Cash Flow

(US\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	914	848	1,183	1,134	1,059
Cash Flow from Invt. & Assoc.					
Change In Working Capital	371	-235	-337	254	549
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	167	103	313	326	316
Net Interest (Paid)/Received	-108	-2	-98	-97	-87
Tax Paid	-15	-11	-20	-18	-17
Cashflow From Operations	1,330	703	1,041	1,599	1,821
Capex	-1,152	-1,472	-393	-300	-300
Disposals Of FAs/subsidiaries	118	132	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0	0
Other Investing Cashflow	70	22	0	0	0
Cash Flow From Investing	-964	-1,317	-393	-300	-300
Debt Raised/(repaid)	128	726	377	156	-263
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	-351	-362	-351	-351	-351
Preferred Dividends					
Other Financing Cashflow	-108	-2	-98	-97	-87
Cash Flow From Financing	-331	362	-72	-292	-700
Total Cash Generated	36	-252	577	1,008	821
Free Cashflow To Equity	495	112	1,025	1,456	1,258
Free Cashflow To Firm	474	-612	746	1,397	1,607

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(US\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	1,705	1,909	2,485	3,493	4,314
Total Debtors	1,303	1,129	1,307	1,259	1,112
Inventories	23	29	33	31	24
Total Other Current Assets	43	16	16	16	16
Total Current Assets	3,074	3,082	3,841	4,798	5,465
Fixed Assets	5,798	6,212	6,428	6,013	5,260
Total Investments	393	552	597	626	644
Intangible Assets	204	255	255	255	255
Total Other Non-Current Assets	3,421	3,706	3,490	3,261	3,032
Total Non-current Assets	9,816	10,724	10,770	10,155	9,190
Short-term Debt	499	1,994	1,994	1,994	1,994
Current Portion of Long-Term Debt					
Total Creditors	852	960	1,090	1,031	812
Other Current Liabilities	29	29	29	29	29
Total Current Liabilities	1,380	2,983	3,114	3,054	2,835
Total Long-term Debt	2,844	2,093	2,469	2,626	2,363
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	419	348	348	348	348
Total Non-current Liabilities	3,263	2,441	2,817	2,974	2,711
Total Provisions	0	0	0	0	0
Total Liabilities	4,644	5,423	5,931	6,028	5,546
Shareholders' Equity	8,028	8,199	8,504	8,756	8,948
Minority Interests	218	183	175	169	162
Total Equity	8,246	8,382	8,680	8,925	9,110

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	3.4%	15.1%	22.1%	(4.9%)	(15.7%)
Operating EBITDA Growth	(6.2%)	(7.2%)	39.4%	(4.1%)	(6.6%)
Operating EBITDA Margin	40.9%	32.9%	37.6%	37.9%	42.0%
Net Cash Per Share (US\$)	-0.37	-0.49	-0.44	-0.25	-0.01
BVPS (US\$)	1.80	1.84	1.91	1.96	2.00
Gross Interest Cover	4.76	3.74	6.02	5.37	4.94
Effective Tax Rate	0.00%	2.36%	3.00%	3.00%	3.00%
Net Dividend Payout Ratio	71.2%	74.6%	51.9%	56.5%	62.7%
Accounts Receivables Days	129.3	126.8	103.8	117.1	125.1
Inventory Days	8.74	5.45	5.73	6.27	6.93
Accounts Payables Days	189.2	191.5	190.7	208.7	230.8
ROIC (%)	3.11%	2.85%	5.22%	4.92%	4.76%
ROCE (%)	3.77%	3.34%	5.80%	5.34%	4.88%
Return On Average Assets	4.16%	3.83%	5.22%	4.65%	4.17%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
LNG vessels (no)	33.0	39.0	39.0	41.0	41.0
Petroleum and chemical vessels (no)	66.0	59.0	67.0	70.0	70.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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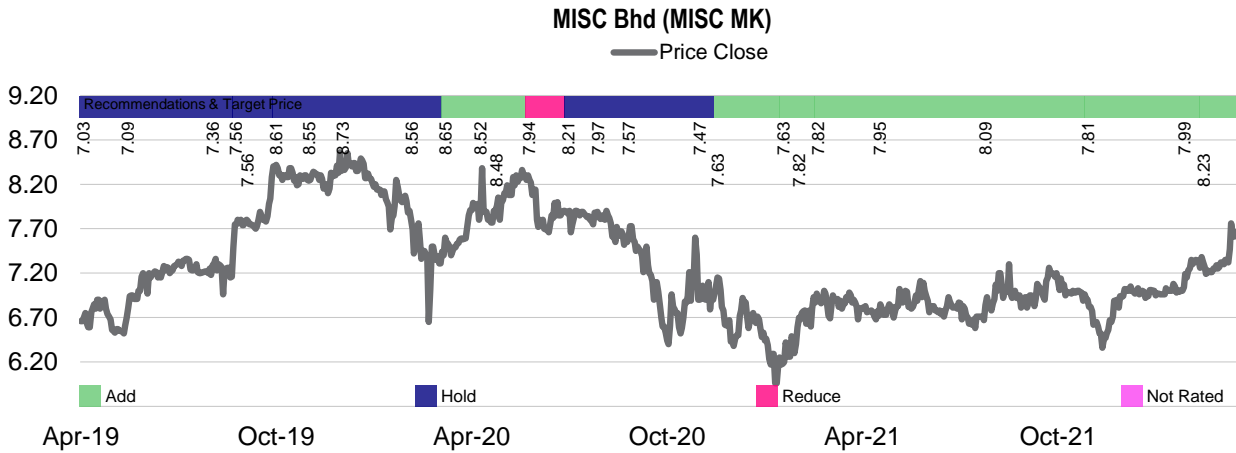
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
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Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.