MISC (MISC MK)

Entering A New Era Via Yinson Privatisation

Highlights

- **Having Yinson as a partner will add value to MISC**. Although MISC appears to be taking on a lot of debt burden without being granted operational control, we opine this deal will be long-term positive for the MISC group, considering how Yinson had added value to its clients and collaborative partners in the past. Having Yinson as a partner will grant MISC's FPSO business immediate access into the Africa region, where MISC previously did not have presence. Similar to the satellite model adopted by Petronas and Eni through independently established JVs, we see scope for YP and MISC to apply a similar approach in potential markets such as Brazil, allowing them to combine resources without putting undue strain on their balance sheets. This collaboration/ value-add proposition extends to the non-FPSO business as well.
- **Retain BUY and RM9.50 target price**. For now, the incremental earnings is expected to be small at merely 1.4% of MISC's 2027 earnings.

Analysis

- **Sweetened RM2.50/share cash buyout.** The Yinson privatisation deal runs through a vehicle MY Offshore Holdings, in which MISC and the Lim family each hold 41.5% and Employees Provident Fund (EPF) retains 17.1%. This structure follows the details revealed during the preliminary exclusive negotiations with the consortium that started about two months ago. The price is 6.4% above the preliminary RM2.35/share offer floated on 28 Aug 26. Privatising Yinson Holdings (YNS) at RM2.50/share implies a firm value of RM7.3b (US$1.8b). The consortium plans to buy the remaining 1.6b shares for RM4.03b under a court-sanctioned scheme of arrangement. MISC's portion amounts to RM3.03b, of which MISC envisage 75% debt funding.
- **We deem the implied valuation to be fair**... According to MISC's announcement and with reference to YNS' 1HFY27 financials, the deal implies 8.7x EV/EBITDA and 1.4x P/B. The enterprise value (EV) includes RM16b in YNS' group loans, RM3.3b in Redeemable Convertible Preference Shares (RCPS) and RM1.9b in perpetual securities. It is well within peer average EV/EBITDA multiples eg Bumi Armada (4x), BW Offshore (12x), and Modec (3x), and nearly a mirror image to SBM Offshore's (7.8x EV/EBITDA; 1.5x P/B). We note that YNS' historical EV/EBITDA trading range of 6-8x seems to be at a discount relative to other offshore peers that are valued closer to 10x. Using a PE comparison is not meaningful due to finance lease distortions.

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, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	RM8.01
Target Price	RM9.50
Upside	+12.0%

Stock Data

Sector	Energy
Bloomberg ticker	MISC MK
Shares issued (m)	4,463.7
Market cap (RMm)	35,755.0
Market cap (US$m)	8,806.0
3-mth avg daily t'over (US$m)	1.25

Price Performance (%

52-week high/low				RM9.04/RM7.22
1mth	3mth	6mth	1yr	YTD
4.2	4.8	(7.7)	2.8	2.7.

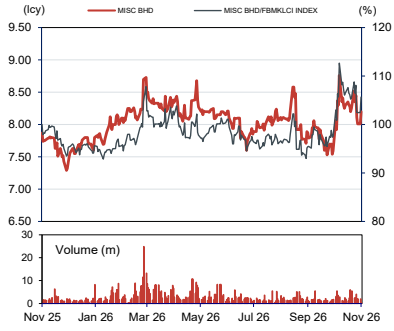
Major Shareholders (%)

Petronas	51.1
EPF	15.5

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).

- **…especially against private equity (pre-IPO growth capital).** Importantly, we note that the deal is also aligned to YNS' RCPS holders' investment on YP back in Jan 25. The US$1b RCPS was valued at 8.9x EV/EBITDA, at a pre-subscription equity value of US$2.6b for YP (leading to post-subscription value of >US$3.6b).
- **Clear role of MISC as JV shareholder without unilateral control...** The announcements did not specify whether YNS will be classified as a subsidiary or associate for MISC, except a commentary that MISC will not have unilateral control. In accounting terms, unilateral control is a key element that defines a subsidiary. Owning YNS as an associate benefits MISC as it provides an immediate incremental profit base but avoids the heavy debt burden in its books. Also, in the RCPS terms, it is a key condition that the Lim family must remain in control (or for YNS to have at least 25% in shareholding). We assume that MISC's offshore unit and YP will continue as separate FPSO operations, including bidding for projects.
- **…but as reliable capital provider.** We also opine that the privatisation timing is impeccable, given that YP recently guided it can take on five new projects simultaneously. More importantly, YP is at the late stage phases for at least three FPSOs, namely Tangkulo (Indonesia), Albacora (Brazil) and Zabazaba (Nigeria). Although we reiterate that MISC will not likely intervene in YP's business, we highlight another RCPS term – for the construction of a third new FPSO, YP is obliged to redeem US$280m of that RCPS.
- **Having Yinson as a partner will be add value to MISC**. Although MISC appears to be taking on a lot of debt burden without being granted operational control, we opine this deal will be long-term positive for the MISC group, considering how Yinson has added value to its clients and collaborative partners in the past. Having Yinson as a partner will grant MISC's FPSO business immediate access into the Africa region, where MISC previously did not have presence. Similar to the satellite model adopted by Petronas and Eni through independently established JVs, we see scope for YP and MISC to apply a similar approach in potential markets such as Brazil, allowing them to combine resources without putting undue strain on their balance sheets.
- **Having can also extend to the non-FPSO business.** Although the energy transition pathways for both companies are distinct, and YNS' non-FPSO segments' cash flow generation is still small relative to the group, we opine that those businesses are relatively advanced. This gives MISC an opportunity to close the gap with its MISC2030 target of having the New Energy Division to generate 25% of operating cash flow (from 2022 base).

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 that accounts for LNGC impairment risks in the 2026 horizon, despite LNGC earnings having 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.

Earnings Revision/Risk

- **Maintain forecasts.** The privatisation is only expected to increase MISC's 2027 earnings by just 1.4%. This is based on MISC's 41% stake on our YNS FY28 earnings forecast of RM344m, negated by about RM100m in additional interest expenses. Note that our YNS forecast is not based on the finance lease method.

Third Time Is The Charm

The current structure is YNS's third formal attempt on privatisation. At its core, the motivation to privatise YNS stems from frustration with public market perception on YNS' share price which was heavily discounted. This can be traced as early as 2022, when YNS started to consider IPO plans overseas for its FPSO subsidiary, YP. The negative share price reaction after YNS secured the US$1b RCPS in Jan 25, elevated the public-private market disconnect, and led to first two privatisation attempts with Stonepeak in 2025 (for a deal price of RM9b

Source: Yinson

Delisting May Take Up To One Year

Naturally, YNS's board accepted the proposal, paving way for the group to be delisted likely by 2H27. However, it is more realise to expect the long timeline. A court process has to pass, although we do not see any risk of dissenting shareholders. Funds like KWAP may hold a blocking stake, but we assume they will support the deal given the precedence of other privatisation of long-term infrastructure assets like Malaysia Airports.

Source: Yinson

Potential Risks

The bigger complication may arise from uncertainty of antitrust watchdogs and merger control clearance from several country's commission. One of them is the Brazil's Administrative Council for Economic Defense (CADE) given the significance of MISC's and Yinson's FPSO presence in Brazil. We noted precedence like the Saipem/Subsea merger (which happened recently). Initially CADE approved without conditions, however Petrobras appealed against this decision, citing that it will be unhealthy to have a lesser vendor pool, and subsequently CADE amended to a conditional approval requiring the consortium to sell off one of their flagship subsea vessel. If this happens on YNS, it is possible for a risk of one of the Brazil FPSO disposal to fulfil merger antitrust conditions

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
EBIT	5,859	6,188	6,239	3,181
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	-	-	-	-
Cash/ST investment	6,096	6,252	6,320	6,320
Other current assets	-	-	-	-
Total assets	**53,014**	**55,228**	**57,607**	**59,979**
ST debt	1,921	2,800	2,800	2,800
Other current liabilities	5,742	5,715	4,154	4,536
LT debt	11,747	12,307	12,867	13,427
Other LT liabilities	885	885	885	885
Shareholders' equity	53,014	55,228	57,607	59,979
Minority interest	697	946	1,197	1,443
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	31.8	29.6	39.2	39.7
Pre-tax margin	9.7	16.9	22.2	23.1
Net margin	9.0	14.9	19.7	20.8
ROA	2.0	4.1	4.6	5.2
ROE	3.2	6.3	7.0	7.9
Growth				
Turnover		69.2	42.4	56.8
EBITDA	0.5	15.0	28.1	42.9
Pre-tax profit	(54.4)	(2.4)	8.1	23.8
Net profit	(53.8)	(6.4)	4.5	21.4
Net profit (adj.)	(6.3)	3.2	11.7	16.1
EPS	20.2	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

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