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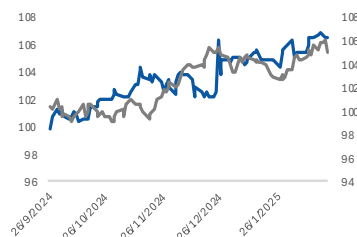
Recommendation:	HOLD
Current Price:	RM 17.50
Previous Target Price:	RM 17.80
Target Price:	↔ RM 17.80
Capital Upside/ Downside:	1.7%
Dividend Yield (%):	4.1%
Total Upside/ Downside:	5.8%

Stock information

Board	MAIN
Sector	Utilities
Bursa/ Bloomberg Code	6033/ PTGMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	1,978.7
Market Cap (RM' m)	34,627.8
52-Week Price Range (RM)	18.8- 16.9
Beta (x)	0.7
Free float (%)	39.3
3M Average Volume (m)	0.6
3M Average Value (RM' m)	9.7

Top 3 Shareholders	(%)
Petroleum Nasional Bhd	51.0
Employees Provident Fund Board	12.5
Kumpulan Wang Persaraan	10.0

Share Price Performance



	1M	3M	12M
Absolute (%)	2.5	-0.6	-2.7
Relative (%)	1.3	-0.6	-5.2

Petronas Gas Berhad

Flat Earnings Amid Higher Costs

Executive Summary

- PETGAS's 4QFY24 results came in within expectations. Quarterly CNP was flat qoq and yoy at RM439.8m, bringing the FY24 CNP to RM1.8bn (-2.9% yoy).
- The Group declared a fourth interim dividend of 22.0sen in 4QFY24 (4QFY23: 22.0sen), bringing the YTD DPS to 72.0sen (FY23: 72.0sen).
- Medium-term earnings growth will be supported by the upcoming RP3 and higher contributions from JVs, both expected from FY26 onwards.
- After incorporating FY24 results, we adjust our FY25 and FY26 earnings forecasts by -0.2%.
- Maintain HOLD recommendation with an unchanged TP of RM17.80, based on sum-of-parts valuation, and appraised with a three-star ESG rating.

Within Expectations. PETGAS's FY24 core net profit (CNP) of RM1.8bn was in line with expectations, achieving 96% of both ours and consensus full-year forecasts.

Dividend Maintained. The Group declared a fourth interim dividend of 22.0sen in 4QFY24 (4QFY23: 22.0sen), bringing the YTD DPS to 72.0sen (FY23: 72.0sen).

YoY. Excluding extraordinary items such as forex losses (RM26.9m), net impairment losses on inventories (RM12.1m) and net gain on disposal of PPE (RM19.7m), 4QFY24 CNP remained flat at RM439.8m (-0.2% yoy). Operating profit declined across Gas Transportation (-3.4% yoy), Regasification (-15.1% yoy) and Utilities segment (-16.0% yoy) due to higher depreciation and maintenance costs. Meanwhile, share of profit from JVs and associates plunged 86.5% yoy, driven by earlier refinancing activity in 4QFY24 (additional costs of c.RM10m) to secure a lower interest rate for one of the JVs, as well as a one-off tax optimisation enjoyed by one of the JVs back in 4QFY23. These declines were offset by better performance in the Gas Processing segment (operating profit +6.6% yoy) supported by higher reservation charges under the third term GPA (effective 1 Jan 2024) and lower tax expenses on the back of one-off investment tax allowance (ITA) of c.RM40m for the Gas Processing Plant in Santong under the East Coast Economic Region initiative.

YTD. On a full-year basis, FY24 CNP dipped 2.9% yoy due to higher depreciation and maintenance costs, as well as lower share of profit from JVs and associates, as detailed above.

QoQ. CNP remained flat (-0.6% qoq). Despite lower internal gas consumption (IGC) and fuel gas costs, operating profit across all four segments dropped on the back of increased maintenance costs and depreciation expenses from newly completed capital projects, as well as lower revenue for the Utilities segment (-7.4% qoq) attributed to lower customer offtakes due to planned shutdowns. Share of profit from JVs and associates also plunged 76.7% qoq due to earlier refinancing activity. Fortunately, the declines were offset by one-off ITA mentioned above.

Outlook. Looking ahead, IGC and fuel gas costs are expected to decline in tandem with an anticipated drop in MRP, while maintenance costs should also decrease, as most maintenance activities are conducted in 4Q. As a result, 1QFY25 results are expected to improve qoq. Medium terms earnings growth will be supported by (i) the upcoming RP3 for Gas Transportation and Regasification segments from FY26 onwards, driven by higher regulated asset base (RAB) and increasing gas demand, and (ii) higher contributions from the JVs, particularly the 52MW Sipitang Power Plant and 100MW Kimanis Power Plant II, both expected to contribute from FY26 onwards. Notably, PETGAS recently received a Letter of Notification for a 120MW Power Plant in Labuan, demonstrating offtakers' confidence in the Group's capabilities.

Earnings Revision. After incorporating FY24 actual results, we adjust our FY25 and FY26 earnings forecasts by -0.2%. We also introduce FY27 earnings forecast of RM2.0bn.

Valuation and Recommendation. We maintain our **HOLD** recommendation with an unchanged TP of **RM17.80**, based on sum-of-parts valuation, and appraised with a three-star ESG rating. As a key player in Malaysia's gas infrastructure, PETGAS stands to benefit from the country's increasing natural gas demand. The Group remains a defensive stock of choice in a volatile market, with over 85% of its operating profit derived from stable, defensive segments, and offering an attractive dividend yield of c.4%.

Risks. Escalation in gas prices and unplanned shutdowns.

Earnings Summary

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	6445.4	6538.2	6624.3	6774.8	6762.0
EBITDA	3265.9	3352.8	3397.6	3480.0	3516.1
Pre-tax profit	2386.0	2360.3	2476.3	2559.2	2589.4
Net profit	1819.6	1836.3	1892.9	1958.3	1981.6
Core net profit	1875.5	1820.3	1892.9	1958.3	1981.6
Core EPS (sen)	94.8	92.0	95.7	99.0	100.1
P/E (x)	19.0	18.9	18.3	17.7	17.5
P/B (x)	2.6	2.5	2.4	2.3	2.3
EV/EBITDA (x) *	10.4	10.2	10.0	9.7	9.7
Dividend Yield (%)	4.1%	4.1%	4.1%	4.2%	4.6%
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

* Based on the year-end closing prices for historical numbers

Source: Company, Apex Securities

Results Comparison

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12MFY24	12MFY23	yoy (%)	Comments
Revenue	1,615.4	1,582.8	2.1	1,655.9	(2.4)	6,538.2	6,445.4	1.4	Increased yoy due to higher reservation charge
EBITDA	745.3	784.9	(5.0)	900.7	(17.3)	3,352.8	3,265.9	2.7	
Pre-tax profit	473.5	608.5	(22.2)	674.7	(29.8)	2,360.3	2,386.0	(1.1)	Declined due to higher maintenance and depreciation costs
Net profit	417.0	441.6	(5.6)	493.7	(15.5)	1,836.3	1,819.6	0.9	
Core net profit	439.8	440.9	(0.2)	442.4	(0.6)	1,820.3	1,875.5	(2.9)	
Core EPS (sen)	22.2	22.3	(0.2)	22.4	(0.6)	92.0	94.8	(2.9)	
DPS (sen)	22.0	22.0	-	18.0	22.2	72.0	72.0	-	
EBITDA margin (%)	46.1	49.6		54.4		51.3	50.7		
PBT margin (%)	29.3	38.4		40.7		36.1	37.0		
Core net profit margin (%)	27.2	27.9		26.7		27.8	29.1		

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12MFY24	12MFY23	yoy (%)	Comments
Revenue									
Gas Processing	466.2	443.0	5.2	467.6	(0.3)	1,872.5	1,778.2	5.3	Increased yoy from higher reservation charges
Gas Transportation	302.5	290.2	4.3	300.3	0.7	1,199.6	1,144.1	4.8	Grew yoy on the back of tariff revision for 2024
Regasification	341.2	341.8	(0.2)	342.1	(0.3)	1,355.2	1,352.3	0.2	
Utilities	505.5	507.9	(0.5)	545.9	(7.4)	2,110.9	2,170.8	(2.8)	Declined qoq due to planned shutdown by customer
Total Revenue	1,615.4	1,582.8	2.1	1,655.9	(2.4)	6,538.2	6,445.4	1.4	
Operating Profit									
Gas Processing	185.6	174.2	6.6	199.3	(6.9)	801.1	796.5	0.6	
Gas Transportation	121.9	126.2	(3.4)	152.3	(20.0)	592.7	562.2	5.4	
Regasification	127.7	150.4	(15.1)	158.4	(19.4)	599.8	637.6	(5.9)	
Utilities	47.0	55.9	(16.0)	86.9	(45.9)	283.8	290.7	(2.4)	Impacted by higher maintenance activities
Others	(1.6)	19.8	nm	39.1	nm	25.6	(13.3)	nm	
Total Operating Profit	480.7	526.6	(8.7)	636.1	(24.4)	2,303.0	2,273.7	1.3	
Operating Profit Margin (%)									
Gas Processing	39.8%	39.3%		42.6%		42.8%	44.8%		
Gas Transportation	40.3%	43.5%		50.7%		49.4%	49.1%		
Regasification	37.4%	44.0%		46.3%		44.3%	47.2%		
Utilities	9.3%	11.0%		15.9%		13.4%	13.4%		
Total Operating Profit Margin	29.8%	33.3%		38.4%		35.2%	35.3%		

Source: Company, Apex Securities

Results Note

Monday, 24 Feb, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	6,445.4	6,538.2	6,624.3	6,774.8	6,762.0
Gross Profit	2,287.0	2,277.3	2,367.1	2,429.5	2,441.0
EBITDA	3,265.9	3,352.8	3,397.6	3,480.0	3,516.1
Depreciation & Amortisation	-1,141.4	-1,173.2	-1,182.8	-1,206.4	-1,230.7
EBIT	2,124.5	2,179.6	2,214.8	2,273.6	2,285.4
Net Finance Income/ (Cost)	22.4	33.5	63.3	69.6	75.6
Associates & JV	239.1	147.3	198.3	215.9	228.4
Pre-tax Profit	2,386.0	2,360.3	2,476.3	2,559.2	2,589.4
Tax	-485.0	-436.7	-495.3	-511.8	-517.9
Profit After Tax	1,901.0	1,923.6	1,981.1	2,047.4	2,071.5
Minority Interest	81.4	87.3	88.2	89.1	90.0
Net Profit	1,819.6	1,836.3	1,892.9	1,958.3	1,981.6
Exceptionals	-55.9	16.0	0.0	0.0	0.0
Core Net Profit	1,875.5	1,820.3	1,892.9	1,958.3	1,981.6

Key Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	92.0	92.8	95.7	99.0	100.1
P/E (x)	19.0	18.9	18.3	17.7	17.5
P/B (x)	2.6	2.5	2.4	2.3	2.3
EV/EBITDA (x) *	10.4	10.2	10.0	9.7	9.7
DPS (sen)	72.0	72.0	72.0	74.0	80.0
Dividend Yield (%)	4.1%	4.1%	4.1%	4.2%	4.6%
EBITDA margin (%)	50.7%	51.3%	51.3%	51.4%	52.0%
EBIT margin (%)	33.0%	33.3%	33.4%	33.6%	33.8%
PBT margin (%)	37.0%	36.1%	37.4%	37.8%	38.3%
PAT margin (%)	29.5%	29.4%	29.9%	30.2%	30.6%
NP margin (%)	28.2%	28.1%	28.6%	28.9%	29.3%
CNP margin (%)	29.1%	27.8%	28.6%	28.9%	29.3%
ROE (%)	13.6%	13.4%	13.3%	13.4%	13.1%
ROA (%)	9.3%	9.6%	10.1%	10.2%	10.2%
Gearing (%)	22.8%	13.0%	11.7%	10.7%	9.8%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

* Based on the year-end closing prices for historical numbers

Sum of Parts Valuation	Value (RM m)	Valuation method
Core Businesses	33,602.9	DCF, WACC: 7.2%, g: 2.0%
Kimanis Power Plant	349.1	DCF, Cost of Equity: 10.2%
Kimanis Power Plant II	56.5	DCF, Cost of Equity: 14.0%
Sipitang Power Plant	27.0	DCF, Cost of Equity: 14.3%
Gas Malaysia	779.0	14.8% stake, market price
(-) Net Debt/(Cash)	-700.0	
(-) Minority Interests	298.5	
Total Equity Value	35,216.1	
Enlarged share base (m share)	1,978.7	
Equity Value/share (RM)	17.80	
ESG premium/discount	0.0%	
Fair Value (RM)	17.80	

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	3,527.9	2,595.7	2,427.4	2,452.4	2,226.2
Receivables	926.6	961.5	1,032.9	1,008.9	1,066.1
Inventories	38.7	36.0	45.7	40.1	42.8
Other current assets	20.0	62.6	62.6	62.6	62.6
Total Current Assets	4,513.2	3,655.8	3,568.5	3,563.9	3,397.6
Fixed Assets	13,630.5	13,915.9	14,027.8	14,310.3	14,598.3
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	1,175.6	1,183.0	1,309.6	1,455.0	1,612.4
Total Non-Current Assets	14,806.1	15,098.9	15,337.3	15,765.3	16,210.8
Short-term debt	1,293.3	134.7	138.2	130.2	122.6
Payables	1,097.4	1,385.6	1,180.4	1,200.6	1,167.1
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	2,390.7	1,520.2	1,318.6	1,330.8	1,289.7
Long-term debt	1,859.2	1,712.7	1,589.2	1,497.2	1,409.8
Other non-current liabilities	1,254.3	1,282.9	1,282.9	1,282.9	1,282.9
Total Non-Current Liabilities	3,113.5	2,995.7	2,872.1	2,780.1	2,692.7
Shareholder's equity	13,555.1	13,948.4	14,416.6	14,910.7	15,309.3
Minority interest	260.1	290.3	298.5	307.6	316.7
Total Equity	13,815.2	14,238.8	14,715.1	15,218.2	15,626.0

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	2,386.0	2,360.3	2,476.3	2,559.2	2,589.4
Depreciation & amortisation	1,141.4	1,173.2	1,182.8	1,206.4	1,230.7
Changes in working capital	-3.4	78.5	-284.2	49.8	-93.5
Others	-518.9	-466.1	-631.0	-669.1	-691.0
Operating cash flow	3,005.1	3,146.0	2,744.0	3,146.4	3,035.6
Capex	-1,167.2	-1,269.3	-1,294.7	-1,488.9	-1,518.7
Others	237.0	70.2	69.7	70.5	70.9
Investing cash flow	-930.3	-1,199.2	-1,225.0	-1,418.4	-1,447.8
Dividends paid	-1,424.7	-1,424.7	-1,424.7	-1,464.3	-1,583.0
Others	-1,148.4	-1,454.3	-262.6	-238.7	-231.1
Financing cash flow	-2,573.1	-2,879.0	-1,687.2	-1,703.0	-1,814.1
Net cash flow	-498.3	-932.2	-168.3	25.0	-226.2
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	4,026.2	3,527.9	2,595.7	2,427.4	2,452.4
Ending cash	3,527.9	2,595.7	2,427.4	2,452.4	2,226.2

Results Note

Monday, 24 Feb, 2025

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Excluding exported energy, Scope 1 and Scope 2 GHG emissions stood at 4.7m tCO ₂ e in 2023, within the target limit of 5m tCO ₂ e (2022: 4.6m tCO ₂ e). PETGAS aims to achieve net zero emissions by 2050.
Waste & Effluent	★★★★	Implemented the Waste Hierarchy concept, which focuses on the 4R principles: Recover, Recycle, Reuse, and Reduce. In 2023, PETGAS achieved 74% recovery of hazardous waste through 4R initiatives, exceeding the annual target of 56%.
Energy	★★★	The Group achieved an Energy Index (EI) rating of 93.9 in 2023, compared to the annual target of below 95.7. This marks a decline in performance from 91.5 in 2022 and 91.3 in 2021.
Water	★★★	Saved 219,000m ³ in freshwater withdrawal in 2023 from water reduction initiatives.
Compliance	★★★★	The Group is in compliance with local and international environmental regulations. For instance, PETGAS reported zero incidents of non-compliance with discharge limits in 2023.

Social

Diversity	★★	In 2023, all employees were Malaysians, with 74% aged 43 or below, while only 12% of the workforce were female. Additionally, more than 95% of senior management, first-level management, and non-management staffs were Malays.
Human Rights	★★★	The Group enforces and adopts the Code of Conduct and Business Ethics (CoBE) and PETRONAS' Human Rights Commitment, which outline clear commitments and standards in human rights protection. PETGAS recorded zero human rights violations related to workplace harassment and zero non-compliance cases concerning labour standards in 2023.
Occupational Safety and Health	★★	PETGAS recorded one fatality in 2022. In 2023, there were no fatalities but the Group experienced an incident of Health, Safety, and Environment (HSE) regulatory non-compliance and a major Loss of Primary Containment (LOPC) incident.
Labour Practices	★★★	PETGAS ensures strict compliance with the minimum wage requirements established by the government.

Governance

CSR Strategy	★★★	Donated a total of over RM60,000 to several not-for-profit organisations in 2023, including Cancer Research Malaysia and Yayasan Hijau Malaysia. Additionally, the Group sponsored students in the Technical Energy Enrichment (TEP) Programme.
Management	★★★	In 2023, 30% of the leadership team were female. As for the board members, 38% (3 out of 8) were female, while 50% (4 out of 8) were independent directors.
Stakeholders	★★★★	PETGAS is committed to initiating frequent and effective dialogues with stakeholders to understand and address their needs. For example, the Group organises quarterly analyst briefings for analysts, an annual general meeting (AGM) for investors, monthly engagement sessions with employees, and annual consultative sessions with government agencies.

Overall ESG Scoring: ★★★

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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As of **Monday, 24 Feb, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.