

Ong Tze Hern

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Recommendation:	HOLD
Current Price:	RM 16.94
Previous Target Price:	RM 17.80
Target Price:	↓ RM 17.75
Capital Upside/Downside:	4.8%
Dividend Yield (%):	4.2%
Total Upside/Downside:	9.0%

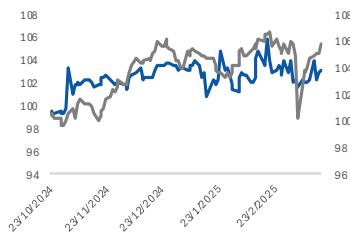
Stock information

Board	MAIN
Sector	Utilities
Bursa/ Bloomberg Code	6033/ PTGMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	1,978.7
Market Cap (RM' m)	33,519.7
52-Week Price Range (RM)	18.8-16.4
Beta (x)	0.8
Free float (%)	39.3
3M Average Volume (m)	0.6
3M Average Value (RM' m)	10.1

Top 3 Shareholders (%)

Petroleum Nasional Bhd	51.0
Employees Provident Fund Board	12.8
Kumpulan Wang Persaraan	10.0

Share Price Performance



	1M	3M	12M
Absolute (%)	-3.2	-3.6	-3.8
Relative (%)	2.4	1.9	-1.4

Petronas Gas Berhad

Lower Tariffs for Regulated Business

Executive Summary

- PETGAS has announced that tariffs for its regulated business will be adjusted lower, effective from 1 Jan 2025 to 31 Dec 2025.
- While these adjustments reduce regulated revenue and profit in FY25, they do not affect PETGAS's overall regulated return framework for the future.
- After incorporating the new tariffs, we have lowered our FY25 earnings forecasts by 0.7% while maintaining our FY26 and FY27 estimates unchanged.
- Maintain HOLD recommendation with a lower TP of RM17.75 (previously RM17.80), based on SOP valuation, implying a valuation of 17.8x FY25 EPS.

Transportation and Regasification Tariffs Adjusted Lower. PETGAS has announced that tariffs for its regulated business will be adjusted lower, effective from 1 Jan 2025 to 31 Dec 2025 under RP2 (2023-2025). As shown in Figure 1, compared with 2024, the Peninsular Gas Utilisation (PGU) pipeline, Malaysia's primary gas transportation network, will see its transportation tariff reduced by 4.3%, while the high-pressure gas supply tariff to Singapore will be lowered by 5.4%. For regasification tariffs, the reductions are more modest, at 0.3% for Regas Terminal Sungai Udang (RGTSU) and 0.03% for Regas Terminal Pengerang (RGTP).

Figure 1: Tariffs for the Gas Facilities under the Regulated Business

Gas Facilities	RP2 Base Tariffs	Adjusted Tariffs		% Change
	1 Jan 2023 – 31 Dec 2025	1 Jan – 31 Dec 2024	1 Jan – 31 Dec 2025	
PGU Transportation Tariff	RM1.063/GJ/day	RM1.096/GJ/day	RM1.049/GJ/day	-4.3%
Tariff for supply of high-pressure gas to Singapore	RM1.616/GJ/day	RM1.701/GJ/day	RM1.609/GJ/day	-5.4%
RGTSU Regasification tariff	RM3.455/GJ/day	RM3.465/GJ/day	RM3.456/GJ/day	-0.3%
RGTP Regasification tariff	RM3.165/GJ/day	RM3.150/GJ/day	RM3.149/GJ/day	-0.03%

Source: Company, Apex Securities

Our Take. We believe the downward tariff adjustments are primarily due to revenue-cap adjustments, likely driven by higher-than-expected reserved firm capacity in FY23, along with savings from lower internal gas consumption (IGC) volume. While these adjustments reduce regulated revenue and profit in FY25, they do not affect PETGAS's overall regulated return framework for the future.

Outlook. Looking ahead, medium-term earnings growth will be supported by (i) RP3 for Gas Transportation and Regasification segments from FY26 onwards, driven by higher regulated asset base (RAB) and rising gas demand, and (ii) higher contributions from joint ventures, particularly the 52MW Sipitang Power Plant and 100MW Kimanis Power Plant II, both expected to contribute from FY26 onwards. During the latest analyst briefing, management indicated that RGTSU and RGTP could reach full utilisation within 1-2 years, necessitating a new RGT to fulfil the increasing gas demand as a transitional fuel. The award decision for new RGT must be finalised soon as construction has a long lead time of 3-4 years. Given PETGAS's strong track record as Malaysia's leading RGT operator, the Group is the frontrunner to secure a new RGT project, which would expand its regulated asset base and enhance its regulated returns in the regasification segment.

Earnings Revision. After incorporating the new tariffs, we have lowered our FY25 earnings forecasts by 0.7% while maintaining our FY26 and FY27 estimates unchanged.

Valuation and Recommendation. Following the earnings adjustments, we maintain our **HOLD** recommendation with a lower TP of **RM17.75** (previously RM17.80), based on sum-of-parts valuation and a three-star ESG rating. This implies a valuation of 17.8x FY25 EPS, approximately 1 standard deviation above its 5-year historical mean forward PE. 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, while offering an attractive dividend yield of c.4%. The key catalyst for PETGAS would be securing a new RGT contract, which would enhance its long-term growth outlook.

Risks. Escalation in gas prices and unplanned shutdowns.

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	6,445.4	6,538.2	6,607.5	6,774.8	6,762.0
Gross Profit	2,287.0	2,277.3	2,350.6	2,429.5	2,441.0
EBITDA	3,265.9	3,352.8	3,381.5	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	2,198.6	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	2,460.2	2,559.2	2,589.4
Tax	-485.0	-436.7	-492.0	-511.8	-517.9
Profit After Tax	1,901.0	1,923.6	1,968.1	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	1,880.0	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	1,880.0	1,958.3	1,981.6

Key Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	92.0	92.8	95.0	99.0	100.1
DPS (sen)	72.0	72.0	71.0	74.0	80.0
Dividend Yield (%)	4.3%	4.3%	4.2%	4.4%	4.7%
P/E(x)	18.4	18.3	17.8	17.1	16.9
P/B(x)	2.5	2.4	2.3	2.2	2.2
EV/EBITDA (x) *	10.4	10.2	9.7	9.4	9.3
Revenue Growth (%)	4.6%	1.4%	1.1%	2.5%	-0.2%
Core EPS Growth (%)	8.8%	-2.9%	3.3%	4.2%	1.2%
EBITDA margin (%)	50.7%	51.3%	51.2%	51.4%	52.0%
EBIT margin (%)	33.0%	33.3%	33.3%	33.6%	33.8%
PBT margin (%)	37.0%	36.1%	37.2%	37.8%	38.3%
PAT margin (%)	29.5%	29.4%	29.8%	30.2%	30.6%
NP margin (%)	28.2%	28.1%	28.5%	28.9%	29.3%
CNP margin (%)	29.1%	27.8%	28.5%	28.9%	29.3%
ROE (%)	13.6%	13.4%	13.3%	13.3%	13.1%
ROA (%)	9.3%	9.6%	10.0%	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	33,493.1	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)	-711.8	
(-) Minority Interests	298.5	
Total Equity Value	35,118.1	
Enlarged share base (m share)	1,978.7	
Equity Value / share (RM)	17.75	
ESG premium / discount	0.0%	
Fair Value (RM)	17.75	

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	3,527.9	2,595.7	2,439.2	2,454.3	2,238.0
Receivables	926.6	961.5	1,027.8	1,013.9	1,061.0
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	3,575.3	3,570.9	3,404.4
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	1,180.3	1,200.8	1,167.0
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	2,390.7	1,520.2	1,318.5	1,331.0	1,289.5
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	14,423.5	14,917.5	15,316.1
Minority interest	260.1	290.3	298.5	307.6	316.7
Total Equity	13,815.2	14,238.8	14,722.0	15,225.1	15,632.8

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	2,386.0	2,360.3	2,460.2	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	-279.3	40.0	-83.6
Others	-518.9	-466.1	-627.8	-669.1	-691.0
Operating cash flow	3,005.1	3,146.0	2,736.0	3,136.5	3,045.5
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	-1,404.9	-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	-1,667.5	-1,703.0	-1,814.1
Net cash flow	-498.3	-932.2	-156.5	15.1	-216.4
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	2,439.2	2,454.3
Ending cash	3,527.9	2,595.7	2,439.2	2,454.3	2,238.0

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 Friday, 21 Mar, 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.