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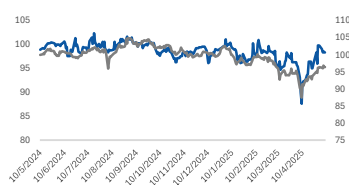
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Recommendation:	HOLD
Current Price:	RM 17.24
Previous Target Price:	RM 17.75
Target Price:	↑ RM 17.80
Capital Upside/Downside:	3.2%
Dividend Yield (%):	4.4%
Total Upside/Downside:	7.7%

Stock information	
Board	MAIN
Sector	Utilities
Bursa / Bloomberg Code	6033 / PTG MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	1,978.7
Market Cap (RM' m)	34,113.3
52-Week Price Range (RM)	18.8-15.2
Beta (x)	0.8
Free float (%)	38.6
3M Average Volume (m)	0.8
3M Average Value (RM' m)	13.2

Top 3 Shareholders	(%)
Petroleum Nasional Bhd	51.0
Employees Provident Fund Board	12.9
Kumpulan Wang Persaraan Diperbadan	10.1

Share Price Performance



	1M	3M	12M
Absolute (%)	12.2	-1.4	-5.6
Relative (%)	1.9	1.7	-2.0

Earnings Summary

FYE Dec (RM m)	FY24	FY25F	FY26F
Revenue	6,538.2	6,630.9	6,801.1
PATAMI	1,836.3	1,867.8	1,944.7
CNP	1,820.3	1,867.8	1,944.7
Core EPS (sen)	92.0	94.4	98.3
PE (x)	18.6	18.3	17.5

Source: Company, Apex Securities

Petronas Gas Berhad

Labuan 120MW Gas-fired Power Plant JV with Sabah GLCs

PETGAS is partnering with subsidiaries of Sabah Electricity and Sabah Energy Corporation to develop a 120MW gas-fired power plant in Labuan. The project is within expectations, as management had earlier disclosed the receipt of the Letter of Notification in February 2025. Assuming a high single-digit to low double-digit equity IRR, we estimate the gas plant could contribute c.RM20m-RM35m in annual share of profit from the JV, equivalent to 1%-2% of FY24 core profit. We incorporate the FY24 annual report figures and included expected earnings contributions from the gas plant, assuming COD is achieved in 2HFY27. As a result, we revise our FY25/FY26/FY27 earnings forecasts by -0.6%/-0.7%/+0.1% respectively. Following the earnings revision and inclusion of Rancha Power in our valuation, we raise our TP to RM17.80 (previously RM17.75), based on SOP valuation and a three-star ESG rating. Maintain HOLD.

Collaboration to Develop 120MW Power Plant in Labuan. PETGAS, through its wholly-owned subsidiary PG Energia Sdn Bhd (ENERGIA), has entered into a shareholders' agreement with Sustainable Power Sdn Bhd (SPSB), a wholly-owned subsidiary of Sabah Electricity Sdn Bhd (SESB), and SEC Power Sdn Bhd, a wholly-owned subsidiary of Sabah Energy Corporation Sdn Bhd, to jointly develop a 120MW gas-fired power plant in Labuan.

Project Details. PETGAS, SPSB and SEC Power will collaborate via a joint venture (JV) company, Rancha Power Sdn Bhd, to undertake the design, development, construction, installation, testing, commissioning, ownership, operation and maintenance of the power plant, with a target COD no later than 1 Jan 2028. PETGAS will hold an indirect 60% stake in Rancha Power via ENERGIA, while SPSB and SEC Power will each hold a 20% stake. The Project will be funded through internally generated funds and external financing.

Related Party Transaction. The transaction qualifies as a related party transaction as MOF Inc under the Ministry of Finance is the ultimate shareholder of both ENERGIA and SPSB. MOF Inc is the holding company of Petroleum Nasional Bhd (PETRONAS) and Khazanah Nasional Bhd. PETRONAS owns 51% equity interest in PETGAS, while Khazanah is the largest shareholder of Tenaga Nasional Berhad (TENAGA), which in turn holds an 83% stake in SESB. Meanwhile, Sabah Energy Corporations is wholly owned by the State Government of Sabah.

Our Take. This is PETGAS's fourth gas-fired power plant project in Sabah. The project is within expectations, as management had earlier disclosed the receipt of the Letter of Notification in February 2025. Given PETGAS's net cash position, its equity contribution to the project is unlikely to pose a financial constraint. Assuming a high single-digit to low double-digit equity IRR and a 20-year PPA, we estimate the gas plant could contribute c.RM20m-RM35m in annual share of profit from the JV, equivalent to 1%-2% of FY24 core profit.

Earnings Revision. We incorporate the FY24 annual report figures and included expected earnings contributions from the gas plant, assuming COD is achieved in 2HFY27. As a result, we revise our FY25/FY26/FY27 earnings forecasts by -0.6%/-0.7%/+0.1% respectively.

Valuation and Recommendation. Following the earnings revision and inclusion of Rancha Power in our valuation, we raise our TP to **RM17.80** (previously RM17.75), based on sum-of-parts valuation and a three-star ESG rating. Maintain **HOLD**. Our TP implies a valuation of 18.9x FY25 EPS, approximately 1.5 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 pick 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%. A key catalyst would be the award of a new RGT contract, which would strengthen its long-term earnings visibility.

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	6,630.9	6,801.1	6,792.1
Gross Profit	2,287.0	2,277.3	2,335.9	2,413.1	2,425.0
EBITDA	3,265.9	3,352.8	3,366.2	3,463.0	3,499.5
Depreciation & Amortisation	-1,141.4	-1,173.2	-1,182.8	-1,206.4	-1,230.7
EBIT	2,124.5	2,179.6	2,183.4	2,256.6	2,268.8
Net Finance Income/ (Cost)	22.4	33.5	63.3	69.6	75.6
Associates & JV	239.1	147.3	198.3	215.9	248.7
Pre-tax Profit	2,386.0	2,360.3	2,444.9	2,542.2	2,593.1
Tax	-485.0	-436.7	-489.0	-508.4	-518.6
Profit After Tax	1,901.0	1,923.6	1,955.9	2,033.8	2,074.5
(-) Minority Interest	81.4	87.3	88.2	89.1	90.0
Net Profit	1,819.6	1,836.3	1,867.8	1,944.7	1,984.5
(-) Exceptionals	-55.9	16.0	0.0	0.0	0.0
Core Net Profit	1,875.5	1,820.3	1,867.8	1,944.7	1,984.5

Key Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Core EPS (sen)	94.8	92.0	94.4	98.3	100.3
DPS (sen)	72.0	72.0	76.0	79.0	80.0
Dividend Yield (%)	4.2%	4.2%	4.4%	4.6%	4.6%
P/E (x)	18.7	18.6	18.3	17.5	17.2
P/B (x)	2.5	2.4	2.4	2.3	2.3
EV/EBITDA (x) *	10.4	10.2	10.0	9.6	9.6
Revenue Growth (%)	4.6%	1.4%	1.4%	2.6%	-0.1%
Core EPS Growth (%)	8.8%	-2.9%	2.6%	4.1%	2.0%
EBITDA margin (%)	50.7%	51.3%	50.8%	50.9%	51.5%
EBIT margin (%)	33.0%	33.3%	32.9%	33.2%	33.4%
PBT margin (%)	37.0%	36.1%	36.9%	37.4%	38.2%
PAT margin (%)	29.5%	29.4%	29.5%	29.9%	30.5%
NP margin (%)	28.2%	28.1%	28.2%	28.6%	29.2%
CNP margin (%)	29.1%	27.8%	28.2%	28.6%	29.2%
ROE (%)	13.6%	13.4%	13.2%	13.4%	13.3%
ROA (%)	9.3%	9.6%	9.9%	10.2%	10.2%
Gearing (%)	22.8%	13.0%	11.8%	10.8%	9.9%
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	33,616.1	DCF, WACC: 7.2%, g: 2.0%
Kimanis Power	349.1	DCF, Cost of Equity: 10.2%
Kimanis Power (Dua)	56.5	DCF, Cost of Equity: 14.0%
Sipitang Utilities	27.0	DCF, Cost of Equity: 14.3%
Rancha Power	79.5	DCF, Cost of Equity: 11.0%
Gas Malaysia	784.7	14.8% stake, market price
(-) Net Debt/(Cash)	-616.6	
(-) Minority Interests	298.5	
Total Equity Value	35,231.1	
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	2,344.0	2,354.3	2,131.5
Receivables	926.6	961.5	1,034.8	1,014.8	1,069.3
Inventories	38.7	36.0	46.4	37.8	46.0
Other current assets	20.0	62.6	62.6	62.6	62.6
Total Current Assets	4,513.2	3,655.8	3,487.8	3,469.4	3,309.4
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	1,308.8	1,453.5	1,630.5
Total Non-Current Assets	14,806.1	15,098.9	15,336.6	15,763.8	16,228.8
Short-term debt	1,293.3	134.7	138.2	130.2	122.6
Payables	1,097.4	1,385.6	1,203.2	1,321.5	1,310.7
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	2,390.7	1,520.2	1,341.4	1,451.6	1,433.3
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	14,312.4	14,693.9	15,095.4
Minority interest	260.1	290.3	298.5	307.6	316.7
Total Equity	13,815.2	14,238.8	14,610.9	15,001.4	15,412.1

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	2,386.0	2,360.3	2,444.9	2,542.2	2,593.1
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	-264.1	146.9	-73.4
Others	-518.9	-466.1	-624.7	-665.7	-712.0
Operating cash flow	3,005.1	3,146.0	2,738.9	3,229.8	3,038.3
Capex	-1,167.2	-1,269.3	-1,294.7	-1,488.9	-1,518.7
Others	237.0	70.2	70.5	71.3	71.7
Investing cash flow	-930.3	-1,199.2	-1,224.2	-1,417.7	-1,447.0
Dividends paid	-1,424.7	-1,424.7	-1,503.8	-1,563.2	-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	-1,766.4	-1,801.9	-1,814.1
Net cash flow	-498.3	-932.2	-251.7	10.3	-222.8
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	2,344.0	2,354.3
Ending cash	3,527.9	2,595.7	2,344.0	2,354.3	2,131.5

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, 09 May, 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.