

Ong Tze Hern

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Recommendation:	HOLD
Current Price:	RM 18.22
Previous Target Price:	RM 17.80
Target Price:	↔ RM 17.80
Capital Upside/Downside:	-2.3%
Dividend Yield (%):	4.2%
Total Upside/Downside:	1.9%

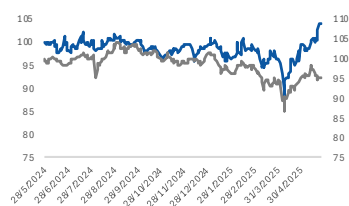
Stock information

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)	36,052.5
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)	13.3

Top 3 Shareholders

(%)

Petroleum Nasional Bhd	51.0
Employees Provident Fund Board	13.1
Kumpulan Wang Persaraan Diperbadan	10.1

Share Price Performance

	1M	3M	12M
Absolute (%)	7.8	4.0	-0.5
Relative (%)	6.0	7.5	4.9

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)	19.6	19.3	18.5

Source: Company, Apex Securities

Petronas Gas Berhad

Results In Line; RM60m Profit Impact Estimated from Fire Incident

- PETGAS's 1QFY25 CNP came in at RM465.7m (+5.9% qoq, -0.8% yoy), in line with expectations.
- The Group declared a first interim dividend of 16.0sen in 1QFY25 (1QFY24: 16.0sen).
- The slight yoy decline in CNP was affected by lower tariffs for the Transportation and Regasification segments, higher maintenance costs, and the purchase of liquid nitrogen to ensure supply continuity during the ASU shutdown.
- The estimated profit impact from the Putra Heights pipeline fire incident is c.RM60m for FY25. We expect 2QFY25 results to decline qoq due to the repair and restoration costs.
- No change to our earnings forecasts. Maintain HOLD recommendation with an unchanged TP of RM17.80, based on sum-of-parts valuation, and a three-star ESG rating.

Within Expectations. Excluding forex gain (-RM3.1m), PETGAS's 1QFY25 core net profit (CNP) of RM465.7m was in line with expectations, accounting for 25% of our full-year forecast and 24% of consensus estimate.

Dividend Maintained. The Group declared a first interim dividend of 16.0sen in 1QFY25 (1QFY24: 16.0sen).

YoY. 1QFY25 CNP declined marginally by 0.8% yoy to RM465.7m. Operating profit fell across the Gas Transportation (-12.4% yoy), Regasification (-7.7% yoy), and Utilities (-7.5% yoy) segments. The Transportation and Regasification segments were affected by lower revenue driven by reduced tariffs effective 1 Jan 2025, as well as higher maintenance costs. Meanwhile, Utilities revenue was flat as the drop in industrial gas volume following the unplanned shutdown of Air Separation Unit (ASU) plant was offset by higher steam offtake. However, operating profit for the segment was impacted by the purchase of liquid nitrogen to maintain supply continuity during the ASU shutdown. These declines were offset by improved operating profit in the Gas Processing division (+5.9% yoy), driven by lower maintenance expenses, and higher share of profit from JVs and associates (more than doubled yoy) primarily due to reduced maintenance costs.

QoQ. CNP rose 5.9% qoq, supported by improved operating profit across all four segments and a higher share of profit from JVs and associates. The improvement in all four segments was driven by lower maintenance costs in 1QFY25, as most maintenance activities are typically undertaken in 4Q. The share of profit from JVs and associates nearly quadrupled qoq, benefiting from lower maintenance costs and an additional c.RM10m cost from proactive refinancing in 4QFY24 to secure a lower JV interest rate. These gains more than offset the higher tax expenses in 1QFY25, given that 4QFY24 had benefited from a one-off investment tax allowance of c.RM40m for the Gas Processing Plant in Santong.

Outlook. According to PETGAS, the estimated profit impact from the pipeline fire incident at Putra Heights, Puchong is c.RM60m for FY25 (representing 3.1% of our FY25 full-year estimated). This includes c.RM170m in repair and asset restoration costs, a significant portion of which is expected to be capitalised, with partial recovery anticipated through insurance claims. On top of that, revenue loss due to service interruption is estimated at c.RM20m. Looking ahead, IGC and fuel gas costs are expected to decline in tandem with an anticipated drop in MRP. Nonetheless, considering the repair and restoration costs, we expect 2QFY25 results to decline 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 and increasing gas demand, and (ii) higher contributions from the JVs, particularly the 52MW Sipitang Power Plant, the 100MW Kimanis Power (Dua) plant, and the 120MW Labuan Power plant.

Earnings Revision. No change to our forecasts.

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. Our TP implies a valuation of 18.9x FY25 EPS, more than 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 enhance long-term earnings visibility.

Risks. Escalation in gas prices and unplanned shutdowns.

Results Comparison

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	Comments
Revenue	1,594.5	1,618.8	(1.5)	1,615.4	(1.3)	Lower tariffs for Transportation and Regasification segments
COGS	(1,018.9)	(1,017.6)	0.1	(1,133.2)	(10.1)	
Gross profit	575.7	601.2	(4.2)	482.3	19.4	
EBITDA	852.1	849.2	0.3	745.3	14.3	
Depreciation & Amortisation	(300.9)	(289.7)	3.8	(306.1)	(1.7)	
EBIT	551.2	559.5	(1.5)	439.2	25.5	
Interest income	24.9	33.9	(26.5)	41.5	(39.9)	
Interest expense	(20.2)	(23.0)	(12.0)	(21.4)	(5.3)	
Associates/JV	56.0	26.9	108.0	14.2	293.3	Additional c.RM10m cost from earlier refinancing in 4QFY24 to
Pre-tax profit	611.9	597.3	2.4	473.5	29.2	secure lower JV interest rate
Tax expenses	(119.8)	(125.1)	(4.2)	(54.3)	120.6	Lower tax in 4QFY24 from one-off investment tax allowance of
Profit after tax	492.1	472.3	4.2	419.2	17.4	c.RM40m for the Gas Processing Plant in Santong
(-) Minority interest	23.3	15.6	48.6	2.2	966.8	
Net profit	468.8	456.6	2.7	417.0	12.4	
Core net profit	465.7	469.6	(0.8)	439.8	5.9	
Core EPS (sen)	23.5	23.7	(0.8)	22.2	5.9	
DPS (sen)	16.0	16.0	-	22.0	(27.3)	
			%-pts		%-pts	
EBITDA margin (%)	53.4%	52.5%	1.0%	46.1%	7.3%	
PBT margin (%)	38.4%	36.9%	1.5%	29.3%	9.1%	
Effective tax rate (%)	19.6%	20.9%	-1.3%	11.5%	8.1%	
Core net profit margin (%)	29.2%	29.0%	0.2%	27.2%	2.0%	

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	Comments
Revenue						
Gas Processing	466.3	467.8	(0.3)	466.2	0.0	
Gas Transportation	281.1	299.5	(6.1)	302.5	(7.1)	Declined due to downward tariff adjustment
Regasification	332.3	336.2	(1.2)	341.2	(2.6)	Declined due to downward tariff adjustment
Utilities	514.8	515.3	(0.1)	505.5	1.8	Lower industrial gas volume following the unplanned shutdown
Total Revenue	1,594.5	1,618.8	(1.5)	1,615.4	(1.3)	of ASU plant was offset by higher steam offtake
Operating Profit						
Gas Processing	219.3	207.2	5.9	185.6	18.1	Lower maintenance expenses
Gas Transportation	142.5	162.6	(12.4)	121.9	16.9	qoq improvement was due to lower maintenance expenses
Regasification	144.3	156.2	(7.7)	127.7	13.0	qoq improvement was due to lower maintenance expenses
Utilities	69.5	75.2	(7.5)	47.0	48.0	yoy drop was due to purchase of liquid nitrogen to ensure
Others	0.5	(7.8)	nm	(1.6)	nm	continuity of supply during ASU shutdown
Total Operating Profit	576.1	593.4	(2.9)	480.7	19.9	
			%-pts		%-pts	
Operating Profit Margin (%)						
Gas Processing	47.0%	44.3%	2.8%	39.8%	7.2%	
Gas Transportation	50.7%	54.3%	-3.6%	40.3%	10.4%	
Regasification	43.4%	46.5%	-3.0%	37.4%	6.0%	
Utilities	13.5%	14.6%	-1.1%	9.3%	4.2%	
Total Operating Profit Margin	36.1%	36.7%	-0.5%	29.8%	6.4%	

Source: Company, Apex Securities

Results Note

Tuesday, 27 May, 2025

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 Financial Metrics

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Revenue Growth (%)	4.6%	14%	14%	2.6%	-0.1%
EPS (sen)	92.0	92.8	94.4	98.3	100.3
Core EPS (sen)	94.8	92.0	94.4	98.3	100.3
Core EPS Growth (%)	8.8%	-2.9%	2.6%	4.1%	2.0%
DPS (sen)	72.0	72.0	76.0	79.0	80.0
Dividend Yield (%)	4.0%	4.0%	4.2%	4.3%	4.4%
P/E (x)	19.8	19.6	19.3	18.5	18.2
P/B (x)	2.7	2.6	2.5	2.5	2.4
EV/EBITDA (x) *	10.5	10.3	10.6	10.3	10.2
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 & cash equivalents	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 to shareholders	-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 & cash equivalents	4,026.2	3,527.9	2,595.7	2,344.0	2,354.3
Ending cash & cash equivalents	3,527.9	2,595.7	2,344.0	2,354.3	2,131.5

Results Note

Tuesday, 27 May, 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 + dividend yield

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 **Tuesday, 27 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.