Gas Malaysia Berhad

(5209 | GMB MK) Utilities | Gas, Water & Multi-Utilities

***Maintain* BUY**

Higher Natural Gas ASP Gave Boost to 1Q23 Earnings

***Unchanged* Target Price: RM4.00**

KEY INVESTMENT HIGHLIGHTS

- **GMB's 1QFY23 revenue up +37%yoy to RM2.4b, earnings up +4%yoy to RM96m**
- **Earnings within expectation; attributed to higher Natural Gas ASP**
- **Inflationary pressure a major risk, offset by favourable fuel prices**
- **CAPEX for RP2 (2023-2025) RM750m-RM800m**
- **Maintain BUY with TP of RM4.00**

Maintain BUY, unchanged TP: RM4.00. Gas Malaysia Bhd (GMB)'s 1QFY23 results were within our expectation at 22% of full year forecast. Hence, we are maintaining a **BUY** call for GMB, upon its 1QFY23 results, with an unchanged **TP of RM4.00**.

Revenue up 37%yoy. GMB's 1QFY23 revenue rose +36.7%yoy and +9.7%qoq to RM2.4b. This was in line with higher average natural gas selling price in line with global market price, offset by lower volume of natural gas sold in 1QCY23.

Earnings up 4%yoy. Despite the gain in earnings compared to 1QFY22, but dropped marginally by -0.1%qoq to RM95.1m. The major offset to the higher earnings were higher administrative expenses and higher finance cost.

Economic recovery to boost demand. We maintain a positive view on GMB, as its operations are concentrated on the local front, our economy projection, as well as its leverage on the currently favourable fuel price, will be the main indicator to its future performance. With the expectation of Malaysia's economy to grow 4-5% in CY23, as well as the increase in domestic demand and improved resiliency in the labour market, we maintain positive with GMB's near-term prospect.

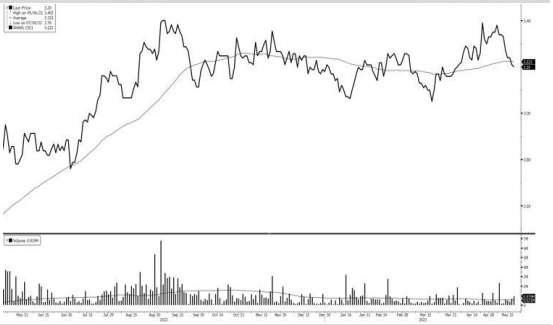
Inflation remains major risk. Despite the positive view on the domestic midstream segment, in part of the local gas transportation system, inflationary pressures and projected slowdown in the global economy remain a challenge for the average natural gas selling price, which in turn will impact its financial performance in the coming quarters. Nevertheless, we believe GMB is on the right track, more so with its recently approved CAPEX for RP2 (2023-2025) project of up to RM800m.

Earnings estimates. We are making no changes to our earnings estimates as we believe GMB performance is on par with our projections.

Target price. Our target price is pegged to PER of 11.6x on EPS23 of 34.5sen. The PER is the gas utilities sector's 5-year average.

RETURN STATISTICS	
Price @ 18th May 2023 (RM)	3.20
Expected share price return (%)	+25.0
Expected dividend yield (%)	+6.1
Expected total return (%)	**+31.1**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.4	-2.1
3 months	1.3	-0.9
12 months	4.9	14.2

INVESTMENT STATISTICS

FYE Mar	2023E	2024F	2025F
Revenue	7,841	7,997	8,156
Operating Profit	520	614	697
Profit Before Tax	527	621	704
Core PATAMI	443	518	601
Core EPS	34.5	40.3	47
DPS	24.4	29.0	34.4
Dividend Yield	6.1%	7.3%	8.6%

KEY STATISTICS	
FBM KLCI	1,428.04
Issue shares (m)	1284.0
Estimated free float (%)	12.3
Market Capitalisation (RM'm)	4,108.8
52-wk price range	RM2.87-RM3.65
3-mth average daily volume (m)	0.6
3-mth average daily value (RM'm)	1.8
Top Shareholders (%)	
Anglo Oriental Annuities Sdn Bhd	30.93
Tokyo Gas-Mitsuit & Co Holdings	18.5
Petronas Gas Bhd	14.8

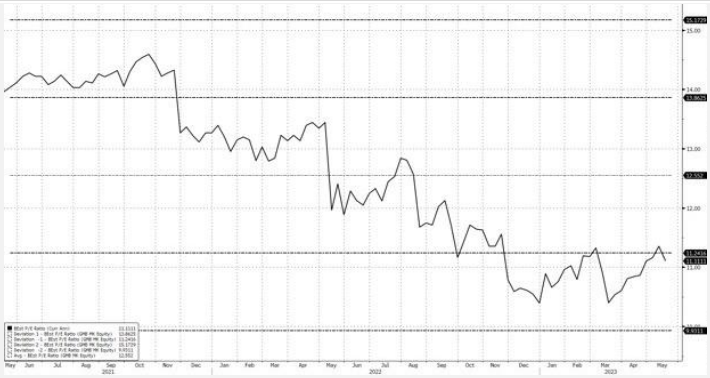
MIDF Research
research@midf.com.my

Table 1: Gas Malaysia's quarterly earnings review

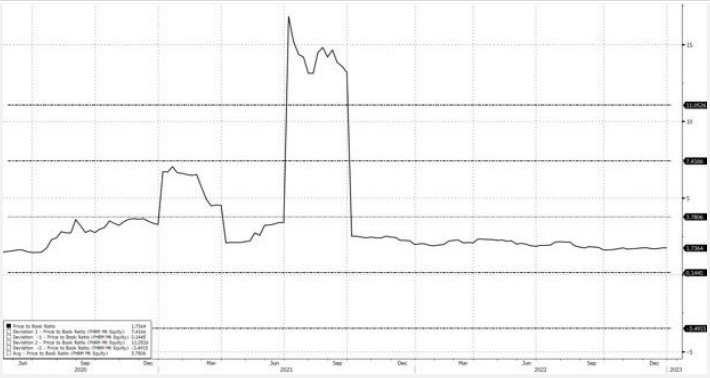
Financial year ending 31st Dec (in RM'm unless stated otherwise)	Quarterly Results					Cumulative results		
	1QFY22	4QFY22	1QFY23	QoQ (%)	YoY (%)	3MFY22	3MFY23	YoY (%)
Revenue	**1,784.2**	**2,223.3**	**2,439.8**	9.7	36.7	**2,223.3**	**2,439.8**	9.7
Gross Profit	**136.4**	**166.9**	**144.2**	(13.6)	5.7	**166.9**	**144.2**	(13.6)
Profit before zakat & taxation	**120.3**	**143.5**	**126.6**	(11.8)	5.2	**143.5**	**126.6**	(11.8)
PATANCI	**91.3**	**95.2**	**95.1**	(0.1)	4.1	**95.2**	**95.1**	(0.1)
Exceptional Items	**(0.1)**	**0.1**	0.6	455.0	(630.7)	**0.1**	0.6	455.0
PATANCI Ex-EI	**91.2**	**95.3**	**95.7**	0.4	4.9	**95.3**	**95.7**	0.4
Basic EPS (sen)	7.1	7.4	7.4	(0.1)	4.2	7.4	7.4	(0.1)
DPS (sen)	4.5	8.2	4.8	(41.5)	6.7	8.2	-	(100.0)
				+/(-) ppts				*+/(-) ppts*
Gross Profit Margin (%)	7.6	7.5	5.9	(1.6)	(1.7)	7.5	5.9	(1.6)
Pretax Profit Margin (%)	6.7	6.5	5.2	(1.3)	(1.6)	6.5	5.2	(1.3)
Net Margin (%)	5.1	4.3	3.9	(0.4)	(1.2)	4.3	3.9	(0.4)
Segmental:								
Revenue:								
Natural Gas & LPG	1,784.2	2,223.3	2,439.8	(68.1)	36.7	1,784.2	2,439.8	36.7
EBITDA								
Natural Gas & LPG	142.2	163.6	148.1	(76.6)	4.1	142.2	148.1	4.1

FORWARD BAND

BEst PE Ratio



BEst P/Bk Ratio



Source: Bloomberg, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	5,851.6	7,649.4	7,841.1	7,997.0	8,155.9
EBITDA	400.4	540.4	519.9	614.3	696.8
D&A	989.4	1,085.7	1,089.2	1,096.1	1,098.0
Profit before tax	330.4	546.7	526.7	621.1	704.1
Tax	4.9	35.0	30.0	30.0	27.5
PATAMI	249.6	389.5	443.2	517.6	600.6
Core PATAMI	249.6	389.5	443.2	517.6	600.6

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Fixed assets	2,529.6	2,709.8	2,816.0	2,935.1	2.978.3
Intangible assets	677.7	800.5	879.0	924.6	989.2
Non-current assets	**1,635.0**	**1,726.4**	**1,831.2**	**1.899.0**	**1,964.0**
Cash	43.0	591.3	580.0	550.0	500.0
Trade debtors	985.2	1,117.6	1,157.6	1,175.0	1,194.0
Current assets	1,233.4	1,420.7	1,535.0	1,678.0	1,734.0
Trade creditors	320.2	161.2	150.0	150.0	125.0
Short-term debt	17.0	15.2	15.0	13.0	13.0
Current liabilities	**1,524.7**	**1,560.6**	**1,578.0**	**1,584.0**	**1,596.0**
Long-term debt	11.0	80.0	40.0	30.0	20.0
Non-current liabilities	**88.0**	**99.6**	**100.0**	**100.0**	**95.0**
Share capital	642.0	642.0	642.0	642.0	642.0
Retained earnings	484.6	633.1	650.0	680.0	700.0
Equity	1,130.1	1,278.3	1,324.0	1,450.0	1,561.2

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	330.4	546.7	526.7	621.1	704.1
Depreciation & amortisation	50.9	53.6	54.0	54.0	53.0
Operating cash flow	623.9	704.4	705.0	705.0	705.0
Investing cash flow	-115.1	-78.5	-95.0	-80.0	-75.0
Financing cash flow	-277.9	-342.4	-350.0	-350.0	-350.0
Net cash flow	230.9	283.5	260.0	275.0	280.0
Beginning cash flow	232.8	43.0	591.3	851.3	1,126.3
Ending cash flow	43.0	591.3	851.3	1,126.3	1,406.3

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBITDA margin	6.8%	7.1%	6.6%	7.7%	8.5%
PBT margin	5.6%	7.1%	6.7%	7.8%	8.6%
PAT margin	4.3%	5.1%	5.7%	6.5%	7.4%
Core PAT margin	62.3%	72.1%	85.2%	84.3%	86.2%

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology