

## Petronas Gas Berhad

(6033 | PTG MK) Utilities | Gas, Water and Utilities

**Maintain BUY**


### PetGas approves RM650m compressor station in Selangor

**Target Price: RM19.37**

#### DEVELOPMENT

- Petronas Gas Bhd (PetGas) made the final investment decision for the development of a new compressor station worth up to RM650m in Jeram, Selangor.
- The project involves construction of a two-unit gas compressor to boost capacity of the Peninsular Gas Utilities (PGU) pipeline network to meet rising demand for gas starting from CY26, as part of the PGU III expansion.

#### OUR VIEW

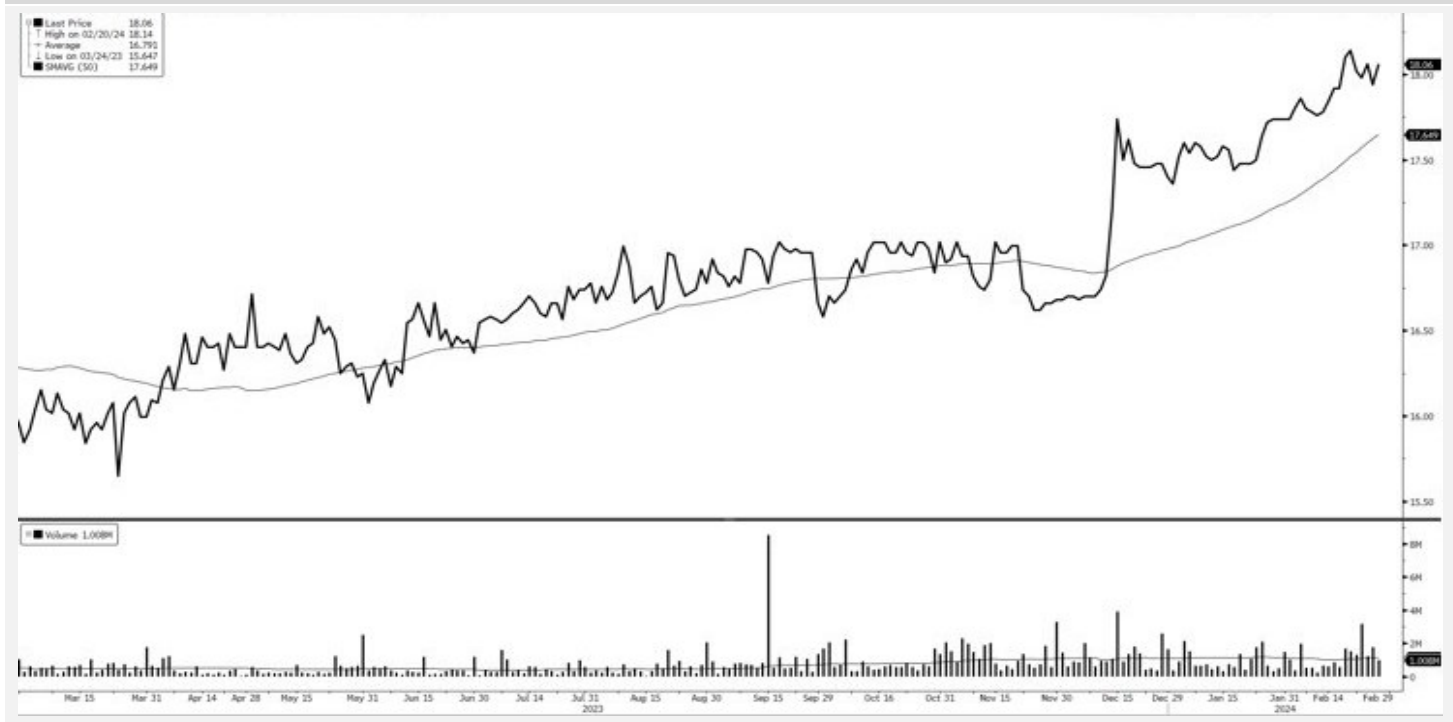
- **Crucial role in cost recovery.** PetGas confirmed that this project falls under its incentive-based regulation framework which will determine the cost recovery of the project through the transmission pipeline tariff. The project owners will then sanction the budget, allowing contractors to purchase materials and equipment to begin work.
- **Challenges in final funding.** The final funding proportions for the compressor project will be determined later after taking into account factors such as internal cash requirements, gearing levels, interest costs, and market conditions.
- **On par with cost optimisation efforts.** We foresee that such projects in its Gas Processing and Utilities segments would continue to be initiated by PetGas in the near future as part of its optimisation effort to reduce cost while meeting the increasing demand for fuel gas amid the lower average selling price for gas following the lower Brent crude oil prices in 4QCY23 (-5%yoy to USD83pb) of which most gas operators has a laggard of 3-6 months.
- All in all, we commended this project, in consideration that this is a step to sustain PetGas's future operations amid the expected increased tariff, while also catering for the growing demand for clean fuel gas from the industrial and plantation sectors. Pending the potential headwinds of the volatile oil market and its effects of average selling price for fuel gas in the long run, we maintain positive on PetGas's prospects in its expansion projects.
- We make no changes to our earnings estimates and maintain our **BUY** call on PetGas with a **target price of RM19.37**. Our target price pegs on a PER of 18x to an EPS24 of 107.6sen. 

## INVESTMENT STATISTICS

Financial year ending 31st Dec (in RM'm unless stated otherwise)	2021A	2022A	2023E	2024F	2025F
Revenue	6,160	6,445	7,098	7,524	7,990
EBIT	2,320	2,274	2,724	2,834	3,043
Pretax Profit	2,269	2,386	2,785	2,884	3,070
Net Profit	1,646	1,820	2,129	2,191	2,327
EPS (sen)	83.0	92.0	107.6	110.7	117.6
EPS growth (%)	-17.0%	10.8%	17.0%	2.9%	6.2%
PER (x)	20.1	19.4	26.4	18.0	16.3
Dividend per share (sen)	72.0	72.0	80.7	83.0	88.2
Dividend yield (%)	4.1%	4.1%	5.6%	5.7%	5.9%

Source: Company, MIDFR

## SHARE PRICE CHART



Source: Company, 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 <i>rise</i> 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 <i>fall</i> 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