Corporate Update

Gas Malaysia Berhad

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

1 Star | SHARIAH Compliant | FTSE4Good

Maintain **BUY**

Revised Target Price **RM4.57** (from RM4.09)

Solid Earnings for FY24

Maintain BUY. Gas Malaysia Bhd's (GMB) earnings came in within our and consensus' expectations, at 97% and 103% respectively. Hence, we maintain our BUY call and revised our target price to RM4.57 (previously RM4.09).

FY24 revenue flattish. FY24 revenue slipped marginally by -0.4%yoy to RM8.0b, due to lower average natural gas selling price, offset by higher volume sold and higher tolling fee.

Normalised PATAMI up +16%yoy. Conversely, FY24 normalised PATAMI gained by +15.5%yoy to RM438.1m. This was driven by higher volume of natural gas sold, higher average natural gas contribution margin and higher tolling fee, offset by higher admin expenses and lower contributions from joint ventures.

Prospects standing on robust economy. GMB is expected to continue being supported by a strong economy growth momentum (+4.5% to +5.5%), consequently increase domestic spending, investments and external demand. Nevertheless, the group remain vigilant on market uncertainties, while improving efficiency, competitiveness and business expansion.

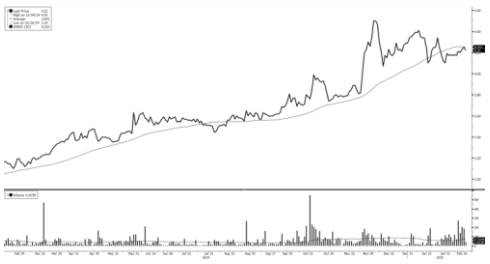
Gas demand anticipated higher. Despite the risks of regulatory changes on tariffs and subsidies, volatile oil prices and disruptions due to maintenance and geopolitical factors, we opine that the domestic demand for gas continues to grow at a CAGR of 2.3% (CY24: approximately 49bcm). The growth is driven by the industrial, chemical and power sectors, notably in East Malaysia. All in all, we are optimistic for GMB to fulfill these demands in the long term.

Revised earnings estimates. In consideration that FY24 earnings came in within expectation, we maintain our FY25 earnings forecast. However, we revised our FY26-27 earnings estimates downwards by -1% each to accommodate FY24 results. This could be tweaked further post the group's upcoming results briefing.

Revised TP to RM4.57. Likewise, we maintain our BUY call for GMB with a revised target price of RM4.57, pegging on a new PER of 12.3x to EPS25 of 37.3sen. The new PER is a discount of SD -0.75 from GMB's 5-Y average PER of 14x. The discount is taking into consideration of the lower oil price rangebound of USD70-80pb expected in CY25 which would impact the Malaysian Reference Price (MRP) for gas sales, mitigated by the expected higher demand for gas in tandem with higher industrial activities and increased consumer spending.

RETURN STATISTICS	
Price @ 18th Feb 2025 (RM)	4.18
Expected share price return (%)	+9.3
Expected dividend yield (%)	+3.8
Expected total return (%)	+13.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.2	1.2
3 months	-1.6	11.2
12 months	24.5	20.7

INVESTMENT STATISTICS

FYE Dec (Rm'm)	2025E	2026F	2027F
Revenue	8,313	8,462	8,467
EBIT	600	620	652
PBT	609	629	661
Core PATAMI	479	495	523
Core EPS	37.3	38.5	40.7
DPS	17.1	17.7	18.7
Dividend Yield (%)	3.8	3.9	4.1

KEY STATISTICS	
FBM KLCI	1,584.84
Issue shares (m)	1,284.00
Estimated free float (%)	21.65
Market Capitalisation (RM'm)	5,418.48
52-wk price range	RM3.3 - RM4.55
3-mth average daily volume (m)	0.29
3-mth average daily value (RM'm)	2.98
Top Shareholders (%)	
ANGLO ORIENTAL ANNUITIES SDN BHD	30.93
Tokyo Gas-Mitsuit & Co Holdings Sd	18.50
Petronas Gas Bhd	14.80

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GAS MALAYSIA'S 4QFY24 RESULTS REVIEW

FYE Dec (RM'm)	Quarterly					Cumulative		
	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Revenue	**1,801.5**	**2,131.6**	**2,055.9**	(3.5)	14.1	**8,078.9**	**8,044.9**	(0.4)
Cost of Sales	(1,633.6)	(1,950.8)	(1,872.0)	(4.0)	14.6	(7,485.6)	(7,354.5)	(1.8)
Gross Profit	**167.9**	**180.8**	**184.0**	1.7	9.6	**593.4**	**690.3**	16.3
Finance income	4.8	5.0	5.5	10.2	15.7	19.2	20.1	5.2
Other operating income	0.5	0.4	1.8	399.7	250.0	4.0	3.8	(4.7)
Admin. expenses	(29.1)	(29.6)	(38.6)	30.2	32.6	(94.244)	(112.108)	19.0
Selling & distribution expenses	(0.392)	(0.145)	(0.389)	168.3	(0.8)	(1.402)	(1.596)	13.8
Finance costs	(2.970)	(3.363)	(1.425)	(57.6)	(52.0)	(11.081)	(11.583)	4.5
Share of results in JV	1.969	2.406	0.283	(88.2)	(85.6)	3.9	4.2	7.9
Profit Before Zakat and Tax	**142.7**	**155.4**	**151.2**	(2.8)	5.9	**513.7**	**593.3**	15.5
Zakat expenses	(0.9)	(0.9)	(0.9)	-	-	(3.5)	(3.5)	-
Tax expenses	(37.5)	(38.6)	(37.6)	(2.6)	0.2	(126.8)	(148.4)	17.0
Profit after tax	**104.3**	**116.0**	**112.7**	(2.8)	8.0	**383.4**	**441.4**	15.1
Exceptional Items	**0.037**	**(1.761)**	0.045	(102.6)	21.6	**(3.9)**	(3.3)	(16.7)
Normalised PAT	**104.4**	**114.2**	**112.8**	(1.3)	8.0	**379.5**	**438.1**	15.5
Basic EPS (sen)	8.1	9.0	8.8	(2.8)	8.0	29.9	34.4	15.1
DPS (sen)	0.0	6.3	9.6	52.1	nm	22.8	15.9	(30.1)
				+/(-) ppts	+/(-) ppts			+/(-) ppts
Gross Profit Margin (%)	9.3	8.5	8.9	0.5	(0.4)	7.3	8.6	1.2
Pretax Profit Margin (%)	7.9	7.3	7.4	0.1	(0.6)	6.4	7.4	1.0
Net Margin (%)	5.8	5.4	5.5	0.0	(0.3)	4.7	5.5	0.7
Tax rate (%)	26.3	24.8	24.9	0.0	(1.4)	24.7	25.0	0.3

Source: Company, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	8,078.9	8,044.9	8,312.7	8,462.2	8,467.3
EBIT	506.6	580.5	600.1	620.3	651.5
PBT	518.6	593.3	609.1	628.6	660.5
Taxation	-131.7	-148.4	128.6	131.9	135.9
PAT	383.4	441.4	480.5	496.7	524.6
MI	0	0	0	0	0
PATAMI	383.4	441.4	480.5	496.7	524.6
Core PATAMI	379.5	438.1	478.5	494.7	522.6
EPS (sen)	29.9	34.4	37.3	38.5	40.7
PER (x)	15.3	13.3	12.3	11.9	11.2
DPS (sen)	14.1	15.9	17.1	17.7	18.7
Dividend yield (%)	3.1	3.5	3.8	3.9	4.1

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	518.6	593.3	609.1	628.6	660.5
Depreciation	103.9	109.5	106.6	108.8	110.0
OP pre-WC changes	**614.1**	**661.2**	**654.5**	**745.0**	**794.8**
Change in NWC	-138.9	-142.2	-152.1	-167.3	-184.1
Operating cash flow	**475.2**	**519.0**	**502.5**	**577.7**	**610.7**
Capital expenditure	-178.4	-249.4	-293.8	-316.6	-327.4
Investing cash flow	**-160.6**	**-254.6**	**-244.5**	**-255.5**	**-260.6**
Debt raised/(repaid)	89.0	100.0	150.0	108.4	-60.1
Dividends paid	-289.9	-299.8	-317.2	-348.4	-223.8
Financing cash flow	**-214.1**	**-212.1**	**-167.2**	**-240.0**	**-283.9**
Net cash flow	**100.5**	**52.2**	**90.8**	**82.1**	**66.2**
Beginning cash flow	**591.3**	**691.8**	**744.0**	**834.8**	**917.0**
Ending cash flow	**691.8**	**744.0**	**834.8**	**917.0**	**983.2**

Growth (%)	2023A	2024A	2025E	2026F	2027F
Revenue growth	5.6	-0.4	3.3	1.8	0.1
PBT growth	5.1	14.4	2.7	3.2	5.1
PATAMI growth	1.6	15.1	8.9	3.4	5.6
Core PATAMI growth	-2.5	15.4	9.2	3.4	5.6

Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
EBIT margin	6.3	7.2	7.2	7.3	7.7
PBT margin	6.4	7.4	7.3	7.4	7.8
PATAMI margin	4.7	5.5	5.8	5.9	6.2
Core PATAMI margin	4.7	5.4	5.8	5.8	6.2
ROA	11.8	11.9	12.7	12.4	13.0
ROE	27.7	29.1	31.0	30.6	32.0

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
PPE	1,732.4	1,888.8	1,949.1	2,058.2	1,953.5
ROU assets	16.7	33.5	27.3	24.9	24.5
Non-current assets	**1,839.0**	**2,108.7**	**2,053.1**	**2,160.5**	**2,163.8**
Trade receivables	672.5	794.3	866.8	925.9	871.4
Cash & bank balances	691.8	744.0	834.8	917.0	983.2
Current assets	**1,367.9**	**1,565.7**	**1,701.7**	**1,842.9**	**1,854.6**
Long-term debt	80.0	280.0	230.5	219.7	198.9
Non-current liabilities	**315.0**	**530.9**	**474.6**	**464.8**	**445.0**
Short-term debt	250.2	151.5	205.9	228.8	214.2
Trade payables	1,246.0	1,449.5	1,533.1	1,693.5	1,725.2
Current liabilities	**1,524.0**	**1,637.3**	**1,739.0**	**1,922.4**	**1,939.4**
Share capital	642.0	642.0	642.0	642.0	642.0
Reserves	726.6	868.2	899.1	973.3	990.1
Equity	**1,367.9**	**1,506.2**	**1,541.1**	**1,616.3**	**1,634.1**

Liquidity Ratios (x)	2023A	2024A	2025E	2026F	2027F
Current ratio	0.9	1.0	1.0	1.0	1.0
Quick ratio	0.5	0.5	0.5	0.5	0.5

Leverage Ratios (x)	2023A	2024A	2025E	2026F	2027F
Debt-to-equity	1.3	1.4	1.4	1.5	1.5
Interest coverage	0.0	0.0	0.0	0.0	0.0

Efficiency Ratios (days)	2023A	2024A	2025E	2026F	2027F
Cash conversion cycle	54	58	58	57	53
DIO	84	94	94	97	98
DSO	30	36	38	40	38
DPO	61	72	74	80	82

Source: Bloomberg, MIDFR

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197501002077 (24878-X).

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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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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