Gas Malaysia Berhad

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

SHARIAH Compliant | ESG 1 Star | FTSE4Good

Corporate Update

Maintain NEUTRAL

Unchanged Target Price **RM4.48**

Positive Prospects Offset by Economic Headwinds

Maintain NEUTRAL. Gas Malaysia Bhd's (GMB) 2QFY25 earnings came in within our expectations at 47% of our yearly earnings forecast, and at 49% of consensus's. Given the limited upside for the group, we maintain NEUTRAL on GMB with an unchanged target price of RM4.48.

1HFY25 revenue down -6%yoy. 2QFY25 and 1HFY25 revenues dropped to RM1.8b (-9%yoy) and RM3.6b (-6%yoy) respectively. This is in line with lower average natural gas selling price, partially mitigated by higher volume of natural gas sold and higher tolling fee.

1HFY25 core earnings slipped -5%yoy. Likewise, 2QFY25 and 1HFY25 core earnings slipped to RM101.7m (-7%yoy) and RM200.9m (-5%yoy) respectively. This was mainly driven by: (i) lower average natural gas contribution margin, (ii) higher administrative expenses, and (iii) higher finance costs. This was partially offset by higher volume of natural gas sold and higher share of results from joint venture companies.

Operations supported by long-term contracts. Moving forward, we expect GMB to continue delivering a steady performance for FY25, supported by its strong market position as a key natural gas retailer in Malaysia as well as its business model in retaining customers through long-term contracts. We also believe GMB's pursuit in growth opportunities through its GM32 Strategy – which includes diversifying into cleaner energy solutions – will continue to take precedent. On that note, we are also looking forward to the commencement of the centralized biomethane injection station in Kluang, Johor, which is scheduled to be fully operational in 2HCY25.

Global headwinds to persist. Downside risks for GMB will likely be influenced by the slower economic growth leading to a moderate demand for energy domestically. Potential trade disruptions, weaker demand and fluctuations in Brent crude oil price may persist for GMB. These may compress GMB's future profit margins, though it may be partially offset by higher sales volume. Nevertheless, we opine that initiatives by the government to support economic growth will encourage business and consumer spending, subsequently increasing demand for gas. This gives GMB its operational sustainability in the near to mid-term.

No changes to earnings forecast. Considering GMB's prospects and challenges, we maintain our earnings forecast for FY25-27, pending the group's result briefing. Likewise, we maintain our **NEUTRAL** call for GMB on the back of limited upside, with an **unchanged target price of RM4.48**, pegging on a PER of 12.9x to an EPS25 of 34.6sen.

RETURN STATISTICS	
Price @ 21st August 2025 (RM)	4.30
Expected share price return (%)	+4.2
Expected dividend yield (%)	+3.6
Expected total return (%)	+7.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.5	-3.4
3months	2.3	5.8
12 months	22.8	24.8

INVESTMENT STATISTICS

FYE Dec (RM m)	2025E	2026F	2027F
Revenue	8,159	8,378	8,450
Operating Profit	547	577	625
Profit Before Tax	556	585	634
Core PATAMI	442	482	516
Core EPS	34.6	37.8	40.4
DPS	15.9	17.4	18.6
Dividend Yield	3.6	3.9	4.1

KEY STATISTICS	
FBM KLCI	1,592.87
Issue shares (m)	1284.00
Estimated free float (%)	19.62
Market Capitalisation (RM'm)	5611.08
52-wk price range	RM3.56 - RM4.55
3-mth average daily volume (m)	0.90
3-mth average daily value (RM'm)	3.78
Top Shareholders (%)	
ANGLO ORIENTAL ANNUITIES SDN BHD	30.93
Tokyo Gas-Mitsuit & Co Holdings Sd	18.50
Petronas Gas Bhd	14.80

Analyst
MBSB Research
research@midf.com.my
03-2173 8396

Table 1: Gas Malaysia's 2QFY25 earnings review

Financial year ending 30th June (in RM'm unless stated otherwise)	Quarterly results					Cumulative results		
	2QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)	1HFY24	1HFY25	YoY (%)
Revenue	1,984.8	1,844.7	1,802.4	(2.3)	(9.2)	**3,857.4**	**3,647.1**	(5.5)
Cost of Sales	(1,814.4)	(1,692.4)	(1,632.6)	(3.5)	(10.0)	(3,532.4)	(3,325.0)	(5.9)
Gross Profit	**170.3**	**152.3**	**169.8**	**11.5**	**(0.3)**	**325.0**	**322.1**	**(0.9)**
Finance income	4.2	6.6	3.4	(48.5)	(19.6)	9.6	9.9	3.3
Other operating income	0.5	0.4	0.7	64.8	41.0	1.7	1.2	(30.3)
Admin. expenses	(21.3)	(23.1)	(39.4)	70.4	85.5	(43.509)	(62.592)	43.9
Selling & distribution expenses	(0.374)	(0.478)	(0.390)	(18.4)	4.3	(0.802)	(0.868)	8.2
Finance costs	(3.434)	(4.983)	(4.418)	(11.3)	28.7	(6.795)	(9.401)	38.4
Share of results in JV	0.102	2.214	2.787	25.9	2,632.4	1.5	5.0	224.7
Profit before zakat & taxation	**150.1**	**132.9**	**132.5**	**(0.3)**	**(11.8)**	**286.7**	**265.3**	**(7.4)**
Zakat expenses	(0.9)	(0.9)	(0.9)	-	-	(1.8)	(1.8)	-
Tax expenses	(39.2)	(31.9)	(32.5)	1.8	(17.1)	(72.2)	(64.3)	(10.9)
PATANCI	**110.1**	**100.1**	**99.1**	**(1.0)**	**(9.9)**	**-**	**-**	**#DIV/0!**
Exceptional Items	(0.483)	(0.931)	2.574	(376.5)	(632.9)	**212.7**	**199.3**	(6.3)
PATANCI Ex-EI	**109.6**	**99.2**	**101.7**	**2.5**	**(7.2)**	**(1.6)**	**1.6**	**(205.3)**
Basic EPS (sen)	8.6	7.8	7.7	(1.0)	(9.9)	**211.1**	**200.9**	(4.8)
DPS (sen)	6.3	0.0	6.0	nm	(4.9)	16.6	15.5	(6.3)
				+/(-) ppts	*+/(-) ppts*			*+/(-) ppts*
Gross Profit Margin (%)	8.6	8.3	9.4	1.2	0.8	8.4	8.8	0.4
Pretax Profit Margin (%)	7.6	7.2	7.3	0.1	(0.2)	7.4	7.3	(0.2)
Net Margin (%)	5.5	5.4	5.5	0.1	(0.0)	5.5	5.5	(0.1)
Tax rate (%)	26.1	24.0	24.5	0.5	(1.6)	25.2	24.2	(1.0)

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	8,079	8,045	8,159	8,378	8,450
EBIT	507	581	547	577	625
PBT	519	593	556	585	634
Taxation	-132	-148	-107	-97	-112
PAT	383	441	445	485	519
MI	0	0	0	0	0
PATAMI	383	441	445	485	519
Core PATAMI	380	438	442	482	516
EPS (sen)	29.9	34.4	34.6	37.8	40.4
PER (x)	15.3	13.3	12.9	11.9	11.1
DPS (sen)	14.1	15.9	15.9	17.4	18.6
Dividend yield (%)	3.1	3.5	3.6	3.9	4.1

Growth (%)	2023A	2024A	2025E	2026F	2027F
Revenue growth	5.6	-0.4	1.4	2.7	0.9
PBT growth	5.1	14.4	-6.4	5.4	8.4
PATAMI growth	1.6	15.1	0.8	9.0	6.9
Core PATAMI growth	-2.5	15.4	0.9	9.1	7.0

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
PPE	1,732	1,889	1,949	2,058	1,954
ROU assets	17	34	27	25	25
Non-current assets	**1,839**	**2,109**	**2,053**	**2,161**	**2,164**
Trade receivables	673	794	920	1,023	994
Cash & bank balances	692	744	781	820	860
Current assets	**1,368**	**1,566**	**1,702**	**1,843**	**1,855**
Long-term debt	80	280	231	220	199
Non-current liabilities	**315**	**531**	**475**	**465**	**445**
Short-term debt	250	152	206	229	214
Trade payables	1,246	1,450	1,533	1,694	1,725
Current liabilities	**1,524**	**1,637**	**1,739**	**1,922**	**1,939**
Share capital	642	642	642	642	642
Reserves	727	868	899	973	990
Equity	**1,368**	**1,506**	**1,541**	**1,616**	**1,634**

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	519	593	556	585	634
Depreciation	104	110	107	109	110
OP pre-WC changes	**614**	**661**	**601**	**702**	**769**
Change in NWC	-139	-142	-152	-167	-184
Operating cash flow	**475**	**519**	**449**	**534**	**585**
Capital expenditure	-178	-249	-294	-317	-327
Investing cash flow	**-161**	**-255**	**-245**	**-256**	**-261**
Debt raised/(repaid)	89	100	150	108	-60
Dividends paid	-290	-300	-317	-348	-224
Financing cash flow	**-214**	**-212**	**-167**	**-240**	**-284**
Net cash flow	**101**	**52**	**37**	**39**	**40**
Beginning cash flow	**591**	**692**	**744**	**781**	**820**
Ending cash flow	**692**	**744**	**781**	**820**	**860**

Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
EBIT margin	6.3	7.2	6.7	6.9	7.4
PBT margin	6.4	7.4	6.8	7.0	7.5
PATAMI margin	4.7	5.5	5.5	5.8	6.1
Core PATAMI margin	4.7	5.4	5.4	5.8	6.1
ROA	11.8	11.9	11.8	12.0	12.8
ROE	27.7	29.1	28.7	29.8	31.6

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	0.4	0.4	0.4

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	92	106	116	125	125
DIO	0	0	0	0	0
DSO	30	36	41	45	43
DPO	-62	-70	-75	-80	-82

Source: Bloomberg, MBSBR

MBSB RESEARCH (formerly known as MIDF RESEARCH) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad)

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MBSB Investment Bank Berhad (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) 197501002077 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD). The directors, employees and representatives of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MBSB Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.

MBSB INVESTMENT BANK (formerly known MIDF 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