Gas Malaysia Berhad

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

SHARIAH Compliant | 1 Star | FTSE4Good

Maintain **NEUTRAL**
Unchanged Target Price **RM4.48**

Corporate Update

2HFY25 Sales Volume Expected to Improve

We attended Gas Malaysia's (GMB) analyst briefing. Key takeaways are as follows:

Additional pipelines remain constant. GMB announced that 26.92km of pipeline constructed in 2QCY25, bringing the total for FY25 to 58.95km. Included in these new constructed pipelines are: (i) Lipat Kajang (7.8km), (ii) Pasir Gudang (4.1km), (iii) Tangkak (5.5km), and (iv) Sitiawan (4.9km). The total pipeline commissioned YTD25 is 2,991km.

Volume reduction increased for 2QFY25. Meanwhile, industrial customers added volume through: (i) 10 new customers (+1.9m GJ), (ii) 2 expansion from existing customers (+0.3m GJ), and (iii) 4 regained customers (+6.3m GJ). However, volume reduction was also recorded: (i) 62 ceased operation (-1m GJ), (ii) 5 terminated contracts (-0.5m GJ), and (iii) 29 lost volumes, likely from the Putra Heights incident (-3.1m GJ).

Rubber gloves remain highest customer. YTD25, rubber gloves remain the highest in volume consumption at 16.9 m GJ (22% of total volume), followed by consumer products at 15.2m GJ (20%) and Others (consisting of chemicals, chemical and industry gas, automobile and E&E) at 11.5m GJ (15%). This is in tandem with the expected recovery of the glove sector, with anticipated ASEAN market to grow at a CAGR of 7.5-7.9% from 2025 onwards, driven by sustained healthcare needs and expansion of food sectors. The new U.S. tariffs on Chinese-made gloves, which increased to 50% in early 2025 and are set to rise to 100% by January 2026, are also a major positive for domestic rubber glove players.

High admin cost in line with increased sales. GMB highlighted that the higher administration cost in 1HFY25 (+44%yoy to RM62.6m), which is in line with GMB's expected allocation of manpower of +RM32m per year and the increased sales volume during the period.

Volume volatility expected to recede in 2HFY25. GMB had suggested that the volatility in gas volume in 2HFY25 will be reduced. Approximately +2-4% of volume addition is expected in 2HFY25. This is on the back of: (i) reduced impact from the Putra Heights explosion, (ii) post-tariff economic condition that may favour GMB's clients over higher demand from their consumers, and (iii) expected increased in capex from RP3.

Increased capex sought in RP3. On RP3, GMB had submitted its request to add more capex in RP3 in 1QCY25. This is to ensure better supply reliability for its customers, as well as increase its preparedness for possible blowout incidents.

No material impact post-incident. Post-Putra Heights explosion, GMB noted that only 2% of FY24 volume was impacted, hence have little impact to the overall bottom-line.

No changes to earnings forecast. All in all, we maintain our earnings forecast for FY25-27. Likewise, we maintain our **NEUTRAL** call for GMB with an **unchanged target price of RM4.48**.

RETURN STATISTICS	
Price @ 22nd August 2025 (RM)	4.35
Expected share price return (%)	+3.0
Expected dividend yield (%)	+3.6
Expected total return (%)	+6.6

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	1,597.47
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

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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

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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