Petronas Gas Berhad

(6033 | PTG MK) Utilities | Gas, Water & Multi-Utilities

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Corporate Update

Maintain NEUTRAL

Revised Target Price **RM19.25**
(from RM18.67)

Fundamentals Sanguine Post-Fire Incident

Maintain NEUTRAL. Petronas Gas Bhd's (PTG) 1HFY25 earnings came in within our expectations at 47%, and consensus at 49%. We upgrade our **target price** slightly higher to **RM19.25** (previously RM18.67) but maintain our **NEUTRAL** call for PGB.

Core PATAMI added +1%yoy. 2QFY25 and 1HFY25 slipped to RM1.6b (-4%yoy) and RM3.2b (-3%yoy) respectively. This was due to lower product prices in Utilities, as well as the downward tariff adjustment and cost incurred for gas supply restoration works for Gas Transportation. However, this was cushioned by lower fuel gas cost in Utilities, in tandem with the lower fuel gas price. Meanwhile, 2QFY25 core PATAMI was down by -3%yoy to RM453.5m but 1HFY25 core PATAMI added +1%yoy to RM925.4m, attributed to higher share of profit from joint ventures.

Gas Processing earnings gained from lower expenses. 2QFY25 and 1HFY25 revenues dropped to RM465.5m (-1%yoy) and RM931.8m (-1%yoy) respectively, due to lower IGC incentive following lower volume of IGC savings, in tandem with statutory plant turnaround. Conversely, 2QFY25 and 1HFY25 earnings gained to RM211.9m (+1%yoy) and RM431.3m (+4%yoy). This was driven by lower operating expenses. Overall Equipment Effectiveness (OEE) was close to 100%.

Gas Transportation impacted by Putra Heights incident. 2QFY25 and 1HFY25 revenue dropped to RM284.3m (-4%yoy) and RM565.4m (-5%yoy) respectively. This was following a downward tariff adjustment due to sharing factor for FY2024's lower internal gas consumption. 2QFY25 and 1HFY25 earnings slipped to RM119.3m (-23%yoy) and RM261.8m (-18%yoy) respectively, mainly due to cost incurred for the gas supply restoration works following the Putra Heights incident.

Utilities gained over low fuel gas cost. 2QFY25 and 1HFY25 revenues dropped to RM505.5m (-7%yoy) and RM1b (-4%yoy) respectively, due to lower product prices for steam and industrial gasses (in line with lower fuel gas prices under the MRP). The average fuel gas price in 1HFY25 was lower by -6%yoy to RM44.77pMMBtu. This was coupled with lower electricity tariff with downward revision of ICPT surcharge. Conversely, 2QFY25 and 1HFY25 earnings gained to RM85.3m (+14%yoy) and RM154.8m (+3%yoy), due to favorable impact from lower fuel gas cost. Utilities plants registered close to 100% product delivery reliability.

High operating cost dragged Regasification. 2QFY25 and 1HFY25 revenue declined marginally to RM335.1m and RM667.4m respectively, following downward tariff adjustments. 2QFY25 and 1HFY25 earnings dropped to RM152.8m (-3%yoy) and RM297m (-5%yoy) respectively. The was due to higher operating and maintenance costs. The LNG regasification terminals sustained strong reliability, underpinned by disciplined preventive maintenance.

RETURN STATISTICS	
Price @ 25th August 2025 (RM)	19.00
Expected share price return (%)	+1.3
Expected dividend yield (%)	+4.0
Expected total return (%)	+5.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.1	3.3
3months	4.7	5.3
12 months	-3.4	2.6

INVESTMENT STATISTICS

FYE Dec (RM m)	2025E	2026F	2027F
Revenue	6,630	6,772	6,963
Operating Profit	2,395	2,448	2,553
Profit Before Tax	2,450	2,514	2,630
Core PATAMI	1,938	2,012	2,139
Core EPS	98.0	101.7	108.2
DPS	72.0	72.0	75.0
Dividend Yield	4.0	4.0	4.2

KEY STATISTICS

FBM KLCI	1,602.45
Issue shares (m)	1978.73
Estimated free float (%)	38.65
Market Capitalisation (RM'm)	37556.33
52-wk price range	RM15.2 - RM19.2
3-mth average daily volume (m)	0.82
3-mth average daily value (RM'm)	0.93
Top Shareholders (%)	
Petroliam Nasional Bhd	51.00
Employees Provident Fund Board	13.04
Kumpulan Wang Persaraan Diperbadan	10.09

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We attended PGB's briefing. Key takeaways include:

Permanent replacement works ongoing. PGB's pipeline network reliability has been impacted by the Putra Heights fire incident on 1 April 2025. Successful and safe gas-in was achieved on 1 July 2025 and pipeline services were restored to the northern sector, while permanent replacement works is progressing as planned. The temporary pipeline repair cost – roughly RM20m – had been consolidated into 2QFY25's financials. We also noted that the temporary pipeline will not last beyond 2 years, hence, PGB is expected to complete the permanent replacement within the timeline.

53% of reversed impairment in 2QFY25. Out of the RM60m estimated impairment, about 53% had been reversed in 2QFY25. The remaining impairment will gradually be reversed up until FY26. To note, this impairment is one-off. As of recent, PGB has not receive any liability claims from third parties, following the Putra Heights incident. Nevertheless, we expect the group to continue minimizing the lasting impact of gas supply services in the affected areas.

No impact from gas turbine shortage. Global gas turbines had seen a severe shortage since CY24. A healthy market would see lead times of 1-2 years. But in mid-CY24, lead times for large turbines had stretched to 3-4 years and YTD25, it is expected to stretch further to 5-7 years or longer. This is a direct consequence of lower supply against higher demand. Nevertheless, PGB had assured that its new projects had hedged on these materials with their suppliers, hence the shortage will have little to no impact on PGB's future performance.

More opportunities in the horizon. The recent announcement in the 13th Malaysia Plan (13MP) had addressed a plan to construct and operate a third regasification terminal in Lumut, Perak. While no operatorship has been awarded as of writing, we believe that PGB has the leverage into winning the contract for this project, given its expertise in running regasification. Additionally, we opine that, in accordance with 13MP and NETR, PGB also could assist in CCUS projects, particularly in their Kerteh terminals.

No changes to earnings estimates. In consideration that 1HFY25 earnings came in within expectations, we make no changes to our FY25-27 forecasts. However, we **revised our target price to RM19.25**, pegging on a new PER of 19.6x to the EPS25 of 98sen. The new PER is derived from PTG's current average 5-Y PER with a premium of +1 SD, as we remain optimistic on the PTG's prospects. However, we maintain a **NEUTRAL call** for PGB, as the positives have been priced in. We noted that PGB's performance is still impacted from the Putra Heights incident and is expected to reverse its impairment throughout the year. We also noted that the near-term downside risks to PGB remain: (i) review of SST, (ii) RP4 electricity tariff, (iii) trade policies, and (iv) geopolitical risks. Nevertheless, we believe PGB has the opportunities for several ongoing and upcoming projects, including Integrated Green Energy Model, CCUS and BESS.

Table 1: Petronas Gas'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	**1,648.1**	**1,594.5**	**1,590.3**	(0.3)	(3.5)	**3,266.9**	**3,184.9**	(2.5)
Cost of revenue	(1,051.2)	(1,018.9)	(1,021.1)	0.2	(2.9)	(2,068.8)	(2,040.0)	(1.4)
Gross Profit	**596.9**	**575.7**	**569.2**	(1.1)	(4.6)	**1,198.1**	**1,144.9**	(4.4)
Admin expenses	(33.1)	(30.1)	(62.0)	106.0	87.7	(70.2)	(92.2)	31.2
Other expenses	(2.4)	(0.3)	(9.2)	3,380.3	278.7	(16.3)	(9.5)	(41.8)
Other income	31.4	30.8	74.5	141.5	137.4	74.6	105.3	41.2
Operating Profit	**592.8**	**576.1**	**572.5**	(0.6)	(3.4)	**1,186.2**	**1,148.6**	(3.2)
Financing Costs	(23.1)	(20.2)	(19.9)	(1.5)	(13.8)	(46.1)	(40.2)	(12.9)
JCE	45.1	56.0	42.7	(23.7)	(5.3)	72.0	98.7	37.1
Profit Before Tax	**614.7**	**611.9**	**595.3**	**(2.7)**	**(3.2)**	**1,212.1**	**1,207.2**	(0.4)
Tax expense	(123.8)	(119.8)	(115.7)	(3.4)	(6.5)	(248.8)	(235.6)	(5.3)
Profit After Tax	**490.9**	**492.1**	**479.6**	**(2.5)**	**(2.3)**	**963.2**	**971.6**	0.9
Minority interest	22.0	23.3	29.4	26.3	33.8	37.6	52.6	40.0
PATAMI	**469.0**	**468.8**	**450.2**	**(4.0)**	**(4.0)**	**925.6**	**919.0**	(0.7)
Exceptional Items (EI)	(0.5)	(3.1)	(3.4)	9.1	539.5	12.4	(6.4)	(151.9)
PATAMI ex-EI	**469.5**	**471.9**	**453.5**	**(3.9)**	**(3.4)**	**913.2**	**925.4**	1.3
Basic EPS (sen)	23.70	23.69	22.75	(4.0)	(4.0)	46.78	46.44	(0.7)
DPS (sen)	16.00	16.00	16.00	-	-	32.00	32.00	-
				+/(-) ppts	*+/(-) ppts*			*+/(-) ppts*
Gross Profit margin (%)	36.2	36.1	35.8	(0.3)	(0.4)	36.7	35.9	(0.7)
Operating Profit margin (%)	36.0	36.1	36.0	(0.1)	0.0	36.3	36.1	(0.2)
PBT margin (%)	37.3	38.4	37.4	(0.9)	0.1	37.1	37.9	0.8
PATAMI margin (%)	28.5	29.4	28.3	(1.1)	(0.1)	28.3	28.9	0.5
Tax rate (%)	20.1	19.6	19.4	(0.1)	(0.7)	20.5	19.5	(1.0)
SEGMENTAL								
Revenue:								
Gas Processing	470.8	466.3	465.5	(0.2)	(1.1)	938.7	931.8	(0.7)
Gas Transportation	297.2	281.1	284.3	1.1	(4.4)	596.7	565.4	(5.2)
Utilities	544.2	514.8	505.5	(1.8)	(7.1)	1,059.5	1,020.3	(3.7)
Regasification	335.8	332.3	335.1	0.9	(0.2)	672.0	667.4	(0.7)
EBIT:								
Gas Processing	208.9	219.3	211.9	(3.4)	1.4	416.1	431.3	3.6
Gas Transportation	155.7	142.5	119.3	(16.3)	(23.4)	318.4	261.8	(17.8)
Utilities	74.6	69.5	85.3	22.6	14.2	149.8	154.8	3.3
Regasification	157.6	144.3	152.8	5.9	(3.0)	313.8	297.0	(5.3)

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	6,445	6,538	6,630	6,7712	6,963
EBIT	2,274	2,303	2,395	2,448	2553
PBT	2,386	2,360	2,451	2,514	2630
Taxation	-485	-437	-412	-396	-389
PAT	1,901	1,924	2,039	2,117	2,242
MI	81	73	77	78	69
PATAMI	1,820	1,836	1,940	2,012	2,140
Core PATAMI	1,813	1,840	1,938	2,012	2,139
EPS (sen)	92.0	92.8	98.0	101.7	108.2
PER (x)	20.3	20.1	19.0	18.4	17.3
DPS (sen)	72.0	72.0	72.0	72.0	75.0
Dividend yield (%)	3.9	3.9	3.9	3.9	4.0

Growth (%)	2023A	2024A	2025E	2026F	2027F
Revenue growth	4.6	1.4	1.4	2.1	2.8
PBT growth	5.1	-1.1	3.8	2.6	4.6
PATAMI growth	10.6	0.9	5.6	3.7	6.4
Core PATAMI growth	13.1	1.5	5.4	3.8	6.3

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
PPE	13,631	13,916	14,443	14,580	14,603
ROU assets	256	212	259	261	255
Non-current assets	**14,806**	**15,099**	**15,687**	**15,835**	**15,866**
Trade receivables	927	962	988	1008	1036
Cash & bank balances	3028	2596	2212	2299	2649
Current assets	**4513**	**3656**	**3256**	**3367**	**3752**
Long-term debt	1859	1713	1822	1899	1917
Non-current liabilities	**3,114**	**2,996**	**3,096**	**3,168**	**3,183**
Short-term debt	1293	135	212	253	291
Trade payables	1097	1386	1325	1361	1391
Current liabilities	**2391**	**1520**	**1537**	**1613**	**1682**
Share capital	3,165	3,165	3,165	3,165	3,165
Reserves	10,390	10,783	10,585	11,167	11,493
Equity	**13,815**	**14,239**	**14,310**	**14,421**	**14,753**

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	2,386	2,360	2,451	2,514	2,630
Depreciation	1,141	1,173	1,227	1,289	1,360
OP pre-WC changes	3,300	3,457	3,595	3,702	3,873
Change in NWC	-3	79	103	121	143
Operating cash flow	**3,005**	**3,146**	**3,374**	**3,520**	**3,731**
Capital expenditure	-1,167	-1,269	-1,216	-1,233	-1,261
Investing cash flow	**-930**	**-1,199**	**-1,064**	**-1,008**	**-1,028**
Debt raised/(repaid)	-1,148	-1,454	-1,069	-917	-848
Dividends paid	-1,425	-1,425	-1,624	-1,509	-1,505
Financing cash flow	**-2,573**	**-2,879**	**-2,694**	**-2,426**	**-2,353**
Net cash flow	**-498**	**-932**	**-384**	**86**	**351**
Beginning cash flow	**4,026**	**3,028**	**2,596**	**2,212**	**2,299**
Ending cash flow	**3,028**	**2,596**	**2,212**	**2,299**	**2,649**

Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
EBIT margin	35.3	35.2	36.1	36.2	36.7
PBT margin	37.0	36.1	37.0	37.1	37.8
PATAMI margin	28.2	28.1	29.3	29.7	30.7
Core PATAMI margin	28.1	28.1	29.2	29.7	30.7
ROA	9.4	9.8	10.2	10.5	10.9
ROE	20.5	21.5	22.5	23.5	24.5

Liquidity Ratios (x)	2023A	2024A	2025E	2026F	2027F
Current ratio	1.9	2.4	2.1	2.1	2.2
Quick ratio	1.5	1.8	1.5	1.5	1.6

Leverage Ratios (x)	2023A	2024A	2025E	2026F	2027F
Debt-to-equity	0.4	0.3	0.3	0.3	0.3
Interest coverage	17.9	25.6	22.2	23.0	25.1

Efficiency Ratios (days)	2023A	2024A	2025E	2026F	2027F
Cash conversion cycle	12	12	12	12	12
DIO	56	56	56	56	56
DSO	3	3	3	3	3
DPO	72	72	72	72	72

Source: Bloomberg, MBSBR

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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