Petronas Gas Berhad

(6033 | PTG MK) Main | Utilities

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Maintain **BUY**

Unchanged Target Price **RM19.25**

Corporate Update

Utilities Expected to Recover in 2HFY26

We attended Petronas Gas Bhd's (PTG)'s briefing. Key takeaways as below:

RGT3 progressing well. The Regasification Terminal 3 (RGT3) remains a strategic expansion of Malaysia's regasification capacity beyond the existing RGT Sungai Udang (Melaka) and RGT Pengerang (Johor) to meet rising domestic gas demand and support energy transition targets. The project centers around a Floating Storage and Regasification Unit (FSRU) paired with dedicated jetty infrastructure. Front-end engineering design (FEED) and detailed engineering works are actively underway. The target for full commercial operations is by CY29, which is expected to provid PTG with long-term, regulated asset-based returns once incorporated into the Gas Framework / Incentive-Based Regulation (IBR) structure. Based on historical benchmarks, capital deployment for RGT3 could range between RM1.5b to RM2.5b.

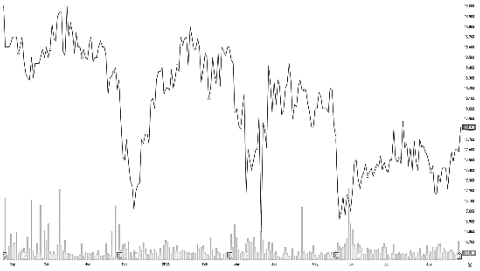
PG Linkaran Fiber Project to further utilise ROW. This project is PTG's recent incentives to utilise and monetise existing right-of-way (ROW) land along the Peninsular Gas Utilisation (PGU) pipeline network by laying fiber optic cables. As of writing, construction has reached 85% completion, keeping the project firmly on track for commercial operations in 1QCY27. This project represents a non-regulated, higher-margin growth segment for the group as it optimizes asset yield without substantial operational overlap with core gas transport. This initiative is apt, considering the blooming data centers that may require support in connectivity in the near term. Estimated total capex sits around RM150m-250m, with minimised civil works cost.

Kimanis to support Borneo power needs. Kimanis Power Plant (Dua) expansion involves the development of a 100MW gas engine power plant in Kimanis, Sabah. The project is designed to deliver fast-starting, flexible peaking power to stabilize the Sabah grid. This expansion also targeted energy infrastructure projects intended to supply gas and power to industrial hubs (such as the Sipitang Oil and Gas Industrial Park) and enhance supply reliability in Labuan. This development is also expected to address the regional regional power supply deficits in East Malaysia, supporting the state's industrialization goals while securing long-term gas offtake for PTG. This project's capex is estimated at around RM700m.

RP3 will continue to support GT until CY28. Gas Transportation segment delivered durable, high-quality earnings growth during the 1HFY26, driven by structural Regulatory Period 3 (RP3) tariff adjustments that provide predictable revenue until CY28 without reliance on one-off accounting items. While elevated Malaysian Reference Prices (MRP) increase the operational cost of Internal Gas Consumption (IGC) for compressor stations, PTG is actively defending margins by deploying AI algorithms and real-time digital optimization to maximize pipeline hydraulic efficiency and minimize physical gas usage.

RETURN STATISTICS	
Price @ 27th August 2026 (RM)	17.82
Expected share price return (%)	+8.0
Expected dividend yield (%)	+3.7
Expected total return (%)	+11.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	+1.8	-1.9
3months	+3.8	-6.4
12 months	-7.7	-17.1

INVESTMENT STATISTICS

FYE Dec (RM m)	2026E	2027F	2028F
Revenue	6,376	6,455	6,513
Operating Profit	2,530	2,688	2,740
Profit Before Tax	2,578	2,713	2,760
Core PATAMI	1,971	2,111	2,148
Core EPS	99.6	106.7	108.5
DPS	72.0	72.0	72.0
Dividend Yield	3.7	3.8	3.8

KEY STATISTICS	
FBM KLCI	1,748.54
Issue shares (m)	1978.73
Estimated free float (%)	25.4
Market Capitalisation (RM'm)	35,020.0
52-wk price range	RM16.62-RM19.30
3-mth average daily volume (m)	0.7
3-mth average daily value (RM'm)	12.3
Top Shareholders (%)	
Petroliam Nasional Bhd	51.0
Employees Provident Fund Board	13.9
Kumpulan Wang Persaraan Diperbadan	10.1

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Utilities expected to recover in 2HFY26. Utilities segment is currently focused on navigating cost pressures while maintaining operational reliability, as its financial performance is tied to the Automatic Fuel Adjustment (AFA) mechanism. The segment's profitability hinges on passing fuel price variations through to customer tariffs. However, time lags or gaps in the AFA adjustment during periods of rising fuel gas prices could cause temporary margin compression. Operationally, we opine that Utilities is positioned for a strong recovery following planned regulatory turnarounds in the 2QFY26 that temporarily suppressed utility sales volumes. With maintenance and catalyst replacements complete, plant utilization and customer offtake are expected to normalize, significantly improving fixed-cost absorption across key operational units.

Maintain valuations. All considered, we reiterate our **BUY** call for PTG and maintain our **target price at RM19.25**.

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	6,538	6,374	6,376	6,455	6,513
EBIT	2,303	2,249	2,530	2,688	2,740
PBT	2,360	2,345	2,578	2,713	2,760
Taxation	-437	-509	-501	-499	-502
PAT	1,924	1,836	2,077	2,213	2,258
MI	87	109	97	96	99
PATAMI	1,836	1,727	1,980	2,118	2,159
Core PATAMI	1,818	1,692	1,971	2,111	2,148
EPS (sen)	91.9	85.5	99.6	106.7	108.5
PER (x)	19.2	21.2	19.3	18.0	17.5
DPS (sen)	72.0	72.0	72.0	72.0	72.0
Dividend yield (%)	4.1	4.0	3.7	3.8	3.8

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	2,360	2,345	2,578	2,713	2,760
Depreciation	1,173	1,223	1,172	1,155	1,146
OP pre-WC changes	3,340	3,341	3,635	3,757	3,796
Change in NWC	79	11	35	53	54
Operating cash flow	**3,146**	**3,073**	**3,355**	**3,494**	**3,530**
Capital expenditure	-1,269	-2,204	-1,849	-1,668	-1,615
Investing cash flow	**-1,199**	**-2,165**	**-1,763**	**-1,586**	**-1,527**
Debt raised/(repaid)	-1,295	-140	-18	-123	-246
Dividends paid	-1,425	-1,425	-1,425	-1,425	-1,425
Financing cash flow	**-2,879**	**-1,567**	**-1,609**	**-1,738**	**-1,877**
Net cash flow	**-932**	**-658**	**-17**	**170**	**127**
Beginning cash flow	**3,508**	**2,577**	**1,919**	**1,902**	**2,071**
Ending cash flow	**2,596**	**1,938**	**1,902**	**2,071**	**2,197**

Growth (%)	2024A	2025A	2026E	2027F	2028F
Revenue growth	1.4	-2.5	0.0	1.2	0.9
PBT growth	-1.1	-0.6	9.9	5.2	1.7
PATAMI growth	0.9	-5.9	14.6	7.0	2.0
Core PATAMI growth	-0.7	-6.9	16.5	7.1	1.8

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
EBIT margin	35.2	35.3	39.7	41.6	42.1
PBT margin	36.1	36.8	40.4	42.0	42.4
PATAMI margin	28.1	27.1	31.0	32.8	33.2
Core PATAMI margin	27.8	26.6	30.9	32.7	33.0
ROA	9.7	8.5	9.6	10.0	0.0
ROE	12.8	11.5	13.5	14.3	0.0

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
PPE	13,916	15,605	16,310	16,694	17,056
ROU assets	940	1,099	954	896	900
Non-current assets	**15,099**	**16,924**	**17,631**	**17,994**	**18,354**
Trade receivables	961	879	895	906	909
Cash & bank balances	2,596	1,938	1,902	2,071	2,197
Current assets	**3,656**	**2,890**	**2,863**	**3,046**	**3,177**
Long-term debt	1,713	1,405	2,054	2,323	2,399
Non-current liabilities	**2,996**	**2,765**	**3,368**	**3,627**	**3,704**
Short-term debt	135	119	233	335	453
Trade payables	1,386	2,222	2,256	2,305	2,353
Current liabilities	**1,520**	**2,341**	**2,489**	**2,639**	**2,806**
Share capital	3,165	3,165	3,165	3,165	3,165
Reserves	10,783	11,051	10,627	10,948	11,294
Equity	**14,239**	**14,707**	**14,636**	**14,774**	**15,021**

Liquidity Ratios (x)	2024A	2025A	2026E	2027F	2028F
Current ratio	2.4	1.2	1.2	1.2	1.1
Quick ratio	2.4	1.2	1.1	1.1	1.1

Leverage Ratios (x)	2024A	2025A	2026E	2027F	2028F
Debt-to-equity	0.3	0.3	0.4	0.4	0.4
Interest coverage	25.6	27.2	21.8	20.2	19.8

Efficiency Ratios (days)	2024A	2025A	2026E	2027F	2028F
Cash conversion cycle	174	244	264	273	277
DIO	2	2	2	3	3
DSO	54	50	51	51	51
DPO	-119	-192	-210	-219	-224

Source: Bloomberg, MBSBR

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MBSB 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