Corporate Update

Petronas Gas Berhad

(6033 | PTG MK) Main | Utilities

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Downgrade to NEUTRAL

(from BUY)

Revised Target Price **RM17.95**
(from RM19.25)

3Q26: Boosted by a JV one-off

3Q26 results in line. D/G to NEUTRAL due to lack of re-rating catalysts

PTG's 3Q26 results came in ***within our expectations but above consensus.*** We note a lumpy RM150m one-off provision reversal in the JV line, which we believe will not recur going forward. 3rd interim DPS of 18 sen was also in line with past practices, taking 9MFY26 DPS to 50 sen (flat YoY). ***We downgrade PTG to NEUTRAL (from BUY) with a lower TP of RM17.95 (from RM19.25)*** – pegged to a PER of 20x on FY27E EPS. Earnings growth is capped until the RP4 tariff reset in 2029, which leaves little room for organic upside, in our view.

Earnings revision

After rebuilding our earnings model and major housekeeping measures, our FY26-28E EPS is lowered by 3-17%.

Investment Highlights

1. **A strong 3QFY26, within ours but above consensus.** PTG posted a commendable 3Q26 core net profit of RM640m (+41%qoq, +44%yoy), bringing 9MFY26 core earnings to RM1,530m (+13%yoy). We deem the results to be ***within our expectations but above consensus*** – at 78%/84% of ours/consensus full-year FY26E forecasts respectively.

2. **QoQ.** CNP up +41% mainly due to a RM150m one-off JV provision reversal. All segmental GP improved QoQ: **i) Gas Transportation GP** increased +15% on lower internal gas consumption costs; **ii) Regasification GP** rose +23% mostly on lower depreciation and higher sendout (627mmscfd vs 481 mmscfd); **iii) Utilities GP** improved +49% as volumes recovered after the 2Q26 planned turnaround and AFA surcharge offset rising fuel gas costs.

3. **YoY.** CNP up +44% mainly due to a RM150m one-off JV provision reversal as well. **i) Gas Transportation GP** increased +54% from higher RP3 tariff and lower internal gas costs; **ii) Regasification GP** rose +27% from new LNG storage income at Pengerang and lower depreciation from asset-life extension; **iii) Gas Processing GP** down -4% due to higher maintenance costs; **iv) Utilities GP** fell -9% on lower sales volumes across all products.

4. **4QFY26 outlook.** We expect a softer quarter quarter-on-quarter on: i) heavier maintenance; and ii) absence of the one-off JV provision reversal. Higher fuel gas prices (MRP) will pressure Utilities margins, only partly offset by the automatic fuel adjustment (AFA) surcharge. However, higher MRP should lift the IGC incentive in Gas Processing, while higher IGC costs in Gas Transportation are recoverable via the IBR true-up with a lag.

5. **Downgrade PTG to NEUTRAL.** While the 3QFY26 results were encouraging, we note that it was largely due to the one-off RM150m JV provision reversal. Earnings growth is capped until the RP4 tariff reset in 2029, which leaves little room for organic upside and re-rating catalysts, in our view. PTG is also entering a heavy capex cycle, and we see little scope for dividend growth beyond the 72 sen paid in recent years. At 4.2% dividend yield and a FY27E PER of 19.2x, we think that the stock is fairly valued for its low-growth profile. ***We D/G PTG to NEUTRAL with a lower TP of RM17.95.***

RETURN STATISTICS

Price @ 19 November 2026 (RM)	17.30
Expected share price return (%)	3.7%
Expected dividend yield (%)	4.2%
Expected total return (%)	**7.9%**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.6	2.7
3 months	-0.6	9.1
12 months	-5.5	-2.2

INVESTMENT STATISTICS

FYE Dec	FY26E	FY27E	FY28E
Revenue	6,305.4	6,377.7	6,452.4
Operating Profit	2,199.2	2,229.4	2,244.4
PBT	2,489.8	2,351.4	2,355.4
Core PATAMI	1,914.0	1,775.5	1,785.1
Core EPS (sen)	0.97	0.90	0.90
DPS (sen)	0.72	0.72	0.72
Dividend Yield	4.2%	4.2%	4.2%

KEY STATISTICS

FBM KLCI	1,566.16
Issue shares (m)	1978.73
Estimated free float (%)	38.83
Market Capitalisation (RM'm)	34,232.06
52-wk price range	RM16.6 - RM18.9
3-mth average daily volume (m)	0.75
3-mth average daily value (RM'm)	13.02
Top Shareholders (%)	
PETRONAS	51.0%
EPF	13.7%
KWAP	9.5%

Analyst
MBSB Research
research@mbsb.com
03-2173 8396

FIG 1: RESULTS REVIEW

FYE December	3Q26	3Q25	YoY	2Q26	QoQ	9M26	9M25	YTD-YoY
Revenue	**1,607.2**	**1,618.3**	***-1%***	**1,501.0**	***7%***	**4,693.3**	**4,803.1**	***-2%***
Cost of revenue	-974.0	-1,077.0	*-10%*	-945.7	*3%*	-2,946.7	-3,117.0	*-5%*
Gross Profit	**633.2**	**541.2**	***17%***	**555.2**	***14%***	**1,746.6**	**1,686.1**	***4%***
Admin expenses	-32.9	-30.9	*7%*	-23.6	*39%*	-91.7	-123.0	*-25%*
Other expenses	-11.0	-5.3	*107%*	-0.6	*1690%*	-16.1	-14.2	*13%*
Other income	7.5	83.3	*-91%*	34.1	*-78%*	65.0	188.1	*-65%*
Operating Profit (EBIT)	**596.9**	**588.3**	***1%***	**565.1**	***6%***	**1,703.8**	**1,736.9**	***-2%***
Finance costs	-21.4	-20.9	*3%*	-21.3	*1%*	-56.7	-61.0	*-7%*
Share of JV & associates	215.7	40.7	*430%*	51.6	*318%*	316.8	139.4	*127%*
Profit Before Tax (PBT)	**791.1**	**608.2**	***30%***	**595.4**	***33%***	**1,963.9**	**1,815.3**	***8%***
Taxation	-133.6	-140.5	*-5%*	-119.4	*12%*	-364.4	-376.0	*-3%*
Profit After Tax (PAT)	**657.5**	**467.7**	***41%***	**476.0**	***38%***	**1,599.5**	**1,439.3**	***11%***
Minority Interests	-26.9	-23.5	*15%*	-22.6	*19%*	-76.9	-76.1	*1%*
PATAMI	**630.5**	**444.2**	***42%***	**453.3**	***39%***	**1,522.6**	**1,363.2**	***12%***
Exceptional Items	9.7	1.0	*824%*	1.1	*763%*	7.5	-5.4	*-238%*
Core Net Profit	**640.2**	**445.3**	***44%***	**454.5**	***41%***	**1,530.0**	**1,357.8**	***13%***

Source: Company, MBSBR

FIG 2: SEGMENTAL BREAKDOWN

Segmental Breakdown	3Q26	3Q25	YoY	2Q26	QoQ	9M26	9M25	YTD-YoY
Segmental Revenue								
Gas Processing	462.9	470.1	*-2%*	461.6	*0%*	1,390.5	1,401.8	*-1%*
Gas Transportation	326.0	287.8	*13%*	320.5	*2%*	964.9	853.1	*13%*
Regasification	361.9	348.7	*4%*	358.1	*1%*	1,073.5	1,016.0	*6%*
Utilities	456.3	511.8	*-11%*	360.7	*26%*	1,264.3	1,532.1	*-17%*
Total	**1,607.2**	**1,618.3**	***-1%***	**1,501.0**	***7%***	**4,693.3**	**4,803.1**	***-2%***
Segmental Gross Profit								
Gas Processing	205.0	214.2	*-4%*	202.8	*1%*	605.9	645.5	*-6%*
Gas Transportation	180.6	117.3	*54%*	157.6	*15%*	469.6	379.1	*24%*
Regasification	198.6	155.8	*27%*	161.8	*23%*	517.9	452.8	*14%*
Utilities	49.1	54.0	*-9%*	33.0	*49%*	153.1	208.8	*-27%*
Total	**633.2**	**541.2**	***17%***	**555.2**	***14%***	**1,746.6**	**1,686.1**	***4%***
Segmental Gross Profit Margins			***+/- ppts***		***+/- ppts***			***+/- ppts***
Gas Processing	44.3%	45.6%	*(1.3)*	43.9%	*0.3*	43.6%	46.0%	*(2.5)*
Gas Transportation	55.4%	40.8%	*14.6*	49.2%	*6.2*	48.7%	44.4%	*4.2*
Regasification	54.9%	44.7%	*10.2*	45.2%	*9.7*	48.2%	44.6%	*3.7*
Utilities	10.8%	10.5%	*0.2*	9.2%	*1.6*	12.1%	13.6%	*(1.5)*

Source: Company, MBSBR

FINANCIAL SUMMARY

FYE DECEMBER (MYR m)

INCOME STATEMENT	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**6,538.2**	**6,373.8**	**6,305.4**	**6,377.7**	**6,452.4**
Gross Profit	**2,277.3**	**2,147.6**	**2,267.0**	**2,323.4**	**2,339.9**
Operating Profit (EBIT)	**2,303.0**	**2,249.2**	**2,199.2**	**2,229.4**	**2,244.4**
Finance Costs	-89.9	-82.6	-78.2	-108.0	-144.0
Share of JV/associate	147.3	178.4	368.8	230.0	255.0
Profit Before Tax (PBT)	**2,360.3**	**2,345.0**	**2,489.8**	**2,351.4**	**2,355.4**
Taxation	-436.7	-508.5	-477.2	-477.3	-472.6
Profit After Tax (PAT)	**1,923.6**	**1,836.5**	**2,012.6**	**1,874.1**	**1,882.8**
PATAMI	1,836.3	1,727.1	1,914.0	1,775.5	1,785.1
Core Net Profit	**1,820.7**	**1,697.4**	**1,914.0**	**1,775.5**	**1,785.1**
Core EPS (MYR)	**0.92**	**0.86**	**0.97**	**0.90**	**0.90**
PER (x)	**18.8**	**20.2**	**17.9**	**19.3**	**19.2**
DPS (MYR)	**0.72**	**0.72**	**0.72**	**0.72**	**0.72**
Dividend Yield			**4.2%**	**4.2%**	**4.2%**

BALANCE SHEET	FY24A	FY25A	FY26E	FY27E	FY28E
PPE	13,915.9	15,604.6	16,640.9	17,843.3	18,993.8
Total Non-Current Assets	**15,098.9**	**16,924.2**	**17,932.7**	**19,231.1**	**20,482.6**
Inventories	36.0	36.2	34.3	34.4	34.9
Receivables	961.5	878.6	863.8	873.7	883.9
Cash and cash equivalents	2,595.7	1,937.8	1,516.9	1,454.5	1,662.2
Total Current Assets	**3,655.8**	**2,889.5**	**2,415.0**	**2,362.6**	**2,581.0**
Borrowings	1,712.7	1,404.9	2,190.0	2,990.0	3,990.0
Total Non-Current Liabilities	**2,995.7**	**2,765.1**	**3,620.2**	**4,490.2**	**5,560.2**
Payables	1,385.6	2,222.3	1,383.0	1,388.5	1,408.4
Borrowings	134.7	118.8	110.0	110.0	110.0
Total Current Liabilities	**1,520.2**	**2,341.1**	**1,493.0**	**1,498.5**	**1,518.4**
Total Equity	**14,238.8**	**14,707.4**	**15,234.5**	**15,605.0**	**15,985.0**

CASH FLOW STATEMENT	FY24A	FY25A	FY26E	FY27E	FY28E
Profit Before Tax (PBT)	**2,360.3**	**2,345.0**	**2,489.8**	**2,351.4**	**2,355.4**
Depreciation	1,173.2	1,223.5	1,247.7	1,297.6	1,349.5
Operating profit before WC	**3,339.5**	**3,340.8**	**3,420.5**	**3,487.0**	**3,553.9**
Cash generated from operations	3,418.0	3,351.7	3,330.3	3,482.5	3,563.1
Net cash from operating activities	**3,146.0**	**3,073.3**	**3,002.4**	**3,115.1**	**3,200.5**
Net cash used in investing activities	**-1,199.2**	**-2,164.6**	**-1,903.4**	**-2,366.0**	**-2,346.0**
Net cash used in financing activities	**-2,879.0**	**-1,566.6**	**-1,519.9**	**-811.6**	**-646.8**
Net change in cash and cash equivalei	**-932.2**	**-657.9**	**-420.9**	**-62.5**	**207.7**
Cash at beginning of year	**3,504.0**	**2,575.9**	**1,919.4**	**1,382.7**	**1,320.3**
Cash at end of year	**2,575.9**	**1,919.4**	**1,382.7**	**1,320.3**	**1,528.0**
Free Cash Flow (FCF)	**1,876.6**	**869.2**	**702.4**	**615.1**	**700.5**

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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