

27 February 2018 | 4QFY17 Results Review

## Petronas Gas Berhad

*Earnings support from Pengerang Regasification*

**Maintain BUY**

**Unchanged Target Price (TP): RM20.00**

### INVESTMENT HIGHLIGHTS

- **Petronas Gas Bhd (PetGas) 4QFY17 earnings grew by +4.7%yoy to RM486.7m**
- **FY17 earnings sustained at RM1,792.7m (+3.1%yoy)**
- **Gas transportation and regasification segment recorded growth for both revenue and operation profit**
- **Regasification revenue boost from Pengerang Regasification**
- **Maintain BUY with unchanged TP of RM20.00 per share**

**Sustained earnings on record revenue.** PetGas' 4QFY17 earnings grew by +4.7%yoy to RM486.7m premised on stable revenue growth of +13.0%yoy to RM1.3b (highest ever recorded). The record sale was largely attributable to strong growth from the Pengerang Regasification facility which began operations in the quarter. In addition, higher selling prices and higher performance based income supported revenue and earnings growth. Cumulative FY17 earnings of RM1,792.7m accounted for 97.8% and 102.1% of our and consensus full year FY17 earnings estimates respectively.

**Sustained sales growth.** The sustained sales growth is largely attributable to: (i) excellent plant and operational performance and reliability (99% uptime for Gas Processing segment, 100% uptime for Gas Transportation segment and 99% uptime for Regasification segment); (ii) contribution of Performance Based Scheme from Gas Processing segment and; (iii) favourable selling prices for Gas Utility segment.

**Gas processing.** Although segment revenue sustained at RM1,557.5m, segment profit declined marginally by -1.9%yoy to RM636.2m largely attributable to high depreciation expenses from the completion of several turnaround activities. Overall Gas Processing liquid plant extraction performance was sustained above target. The plant reliability performance is at 99%.

**Gas transportation.** Both segment revenue and profit expanded by +0.6%yoy and +0.5%yoy respectively as gas transmission reliability was at near 100%. Segment profit margin remains stable at 74.7%.


**Utilities.** Segment revenue staged an increase of +9.2%yoy to RM1,167.5m but segment profit declined by -4.5%yoy as favourable selling prices and higher demand for electricity and steam was negated by higher cost of sales.

RETURN STATS	
Price (26 February 2018)	RM17.66
Target Price	RM20.00
Expected Share Price Return	+13.3%
Expected Dividend Yield	+3.7%
<b>Expected Total Return</b>	<b>+17.0%</b>

STOCK INFO	
KLCI	1,860.08
Bursa / Bloomberg	6033 / PETGAS MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	1,978.7
Market cap. (RM'm)	39,944.4
Price over NA	4.1x
52-wk price Range	RM15.88 – RM19.57
Beta (against KLCI)	0.88
3-mth Avg Daily Vol	0.7m
3-mth Avg Daily Value	RM12.2m
Major Shareholders (%)	
Petroleum Nasional Berhad	60.66
Employees Provident Fund	9.68
PNB and its associated funds	7.87

**Regasification.** Both segment revenue and profit were boosted by the operational commencement of the Pengerang Regasification facility. Revenue and profit increased by +22.6%yoy and +32%yoy respectively. Plant reliability in Sungai Udang was 99%.

**Impact on earnings.** No changes to earnings forecasts.

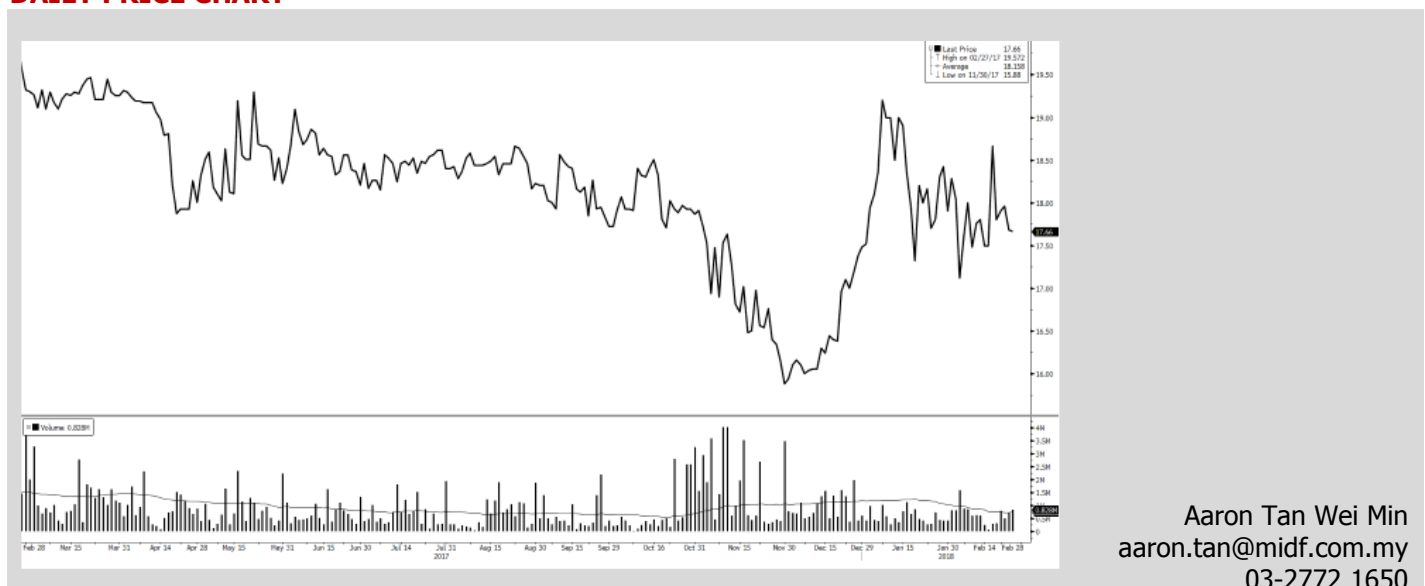
**Maintain BUY.** We are maintaining our **BUY** recommendation on PetGas with an unchanged TP of **RM20.00** as we are of the opinion that the company will continue to perform premised on: (i) strong and diversified income stream; (ii) expected strong national GDP 5.5% for FY18 and; (iii) strong potential capital upside. Our valuation is premised on forward PER18 of 21.2x pegged to EPS18 of 94.4sen. The target PER is based on PetGas' rolling four-quarter average PER over six years. 

## INVESTMENT STATISTICS

FYE 31 Dec	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	4,456.0	4,561.3	4,809.6	5,103.8	5,290.0
EBIT (RM'm)	2,017.0	2,137.1	2,278.4	2,267.6	2,308.8
Pretax Profit (RM'm)	2,002.1	2,106.7	2,252.7	2,283.1	2,325.4
Net Profit (RM'm)	1,987.5	1,739.1	1,792.7	1,868.2	1,907.5
EPS (sen)	100.4	87.9	90.6	94.4	96.4
EPS growth (%)	7.7	-12.5	3.1	4.2	2.1
PER(x)	17.7	20.3	19.6	18.9	18.5
Net Dividend (sen)	60	62	65	66	67
Net Dividend Yield (%)	2.7	3.5	3.7	3.7	3.8

Source: MIDFR

## DAILY PRICE CHART



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Source: MIDFR, Company

## 4QFY17 RESULTS SUMMARY

FYE Dec	Quarterly Results			Cumulative			Comments
	4Q17	QoQ (%)	YoY (%)	FY16	FY17	YoY (%)	
Revenue	1303.8	12.1	13.0	4561.3	4809.6	5.4	
COGS	-745.3	13.4	10.9	-2495.4	-2666.8	6.9	
Gross Profit	558.4	10.3	15.9	2065.9	2142.8	3.7	
Admin Expenses	-18.1	-13.6	-36.5	-93.1	-84.4	-9.4	
Other Expenses	-2.6	149.1	-75.4	-15.0	-6.0	-59.9	
Other Income	72.1	35.8	26.2	179.3	226.0	26.0	
Operating Profit	609.8	13.5	22.0	2137.1	2278.4	6.6	
Financing Costs	-36.4	45.8	42.2	-93.9	-113.5	20.8	
JCE	32.4	59.3	246.9	63.6	87.8	38.0	
PBT	605.9	13.8	25.2	2106.8	2252.7	6.9	
Tax	-95.5	-17.2	365.1	-370.5	-435.8	17.6	
MI	23.7	87848.1	-1422.2	-2.8	24.3	-981.5	
PAT	486.7	16.6	4.7	1739.1	1792.7	3.1	
Segmental:							
<i>Revenue</i>							
- Gas Processing	391.8	0.9	1.3	1557.2	1557.5	0.0	Plant reliability at 99%
- Gas Transportation	329.9	-0.1	-0.1	1303.9	1311.1	0.6	Transmission reliability at 100%
- Utilities	304.9	9.9	5.9	1069.1	1167.5	9.2	
- Regasification	277.1	65.9	86.2	631.2	773.6	22.6	Sungai Udang plant reliability at 99%
Total	1303.8	12.0	13.0	4561.3	4809.6	5.4	
Segmental:							
<i>Gross Profit</i>							
- Gas Processing	149.6	0.6	7.7	648.4	636.2	-1.9	
- Gas Transportation	219.8	-14.4	-4.6	975.3	979.8	0.5	
- Utilities	35.7	32.0	-2.9	155.9	148.9	-4.5	
- Regasification	153.3	108.1	102.0	286.3	378.0	32.0	
Expense/Income	-175.9	-763.3	-302.9	-93.9	-113.5	20.8	
PBT	605.9	13.8	25.2	2106.8	2252.7	6.9	

Source: MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
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	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### 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.