

Gas Malaysia Berhad

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

Attractive Dividend Yield

KEY INVESTMENT HIGHLIGHTS

- **GMB's 2QFY23 revenue up +14%yoy to RM2b, earnings down -9%yoy to RM98m**
- **Earnings within expectations despite lower volume sold in 2QCY23 by -16%yoy**
- **First interim dividend of 5.72 sen per share announced**
- **Maintain BUY with an unchanged TP:RM4.00**

Maintain BUY, unchanged TP:RM4.00. Gas Malaysia Bhd (GMB)'s 2QFY23 results were within our yearly expectations at 44% as we expect better performance in 2HFY23. We are maintaining **BUY** call for GMB, with an unchanged **TP of RM4.00**.

Revenue up +14%yoy. GMB's 2QFY23 revenue rose +13.7%yoy to RM2.0b. This was in line with higher average natural gas selling price in line with global market price, mitigated by lower volume of natural gas sold in 2QCY23 by -16%yoy to 35.8mGJ.

Earnings down -9%yoy. 2QFY23 net profit declined by -8.9%yoy to RM97.8m. The lower earnings were due to: (i) lower volume sold, (ii) no reversal of third-party admin cost, (iii) higher operational expenses, depreciation and finance costs, and (iv) lower contributions from GMB's joint venture companies.

Demand robust despite lower volume. GMB reported 16 new industrial customers and 2 expansions in 2QFY23. 1HFY23 volume contribution for natural gas offtake was the highest from the Rubber Gloves industrials (21%), followed by Consumer Products (19%), Oleo-chemical (15%), Pulp and Paper (9%) and Metal (8%). Consumer products, Oleo-chemical and Metals had seen an increase in volume offtake by 1-3% from 1HFY22; signalling a higher demand for gas to run the equipment in the consumer and materials industries, in line with the expected domestic economic growth of +4.0-5.0% in CY23.

Dividend play still holds. There were adjustments made in the cost of sales in 1QFY23, in which the unaccounted gas cost was accrued and adjustments to the margin was reduced by a marginal -0.3%. Additionally, we opine that the risk on lower average natural gas selling price following the low trend of natural gas price in CY23 is mitigated by the upcoming RP2 project whereby the group has committed to capex of approximately RM800m. We are also positive on its dividend play, evident by GMB's first interim dividend of 5.72 sen per share.

No changes to earnings estimates. We are keeping our earnings estimates at this juncture.

Target price. Our target price is pegged on a PER of 10.0x to revised EPS24 of 40.6sen. The PER is the company's 5-year average.

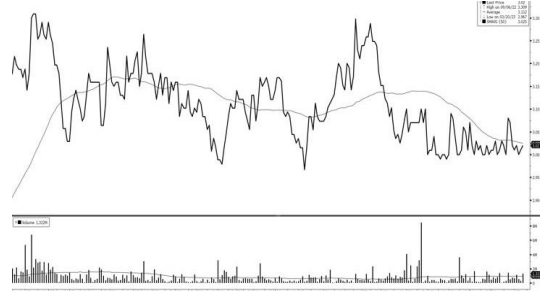
Maintain BUY

Unchanged Target Price: RM4.00

RETURN STATISTICS

Price @ 21 st August 2023 (RM)	3.02
Expected share price return (%)	+32.5
Expected dividend yield (%)	+7.2
Expected total return (%)	+39.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.3	-2.2
3 months	0.7	-6.2
12 months	11.2	-7.9

INVESTMENT STATISTICS

FYE Mar	2023E	2024F	2025F
Revenue	7,841	7,997	8,156
Operating Profit	570	652	663
Profit Before Tax	572	654	668
Core PATAMI	438	521	534
Core EPS	34.2	40.6	41.6
DPS	24.1	29.2	30.6
Dividend Yield	6.1%	7.2%	7.6%

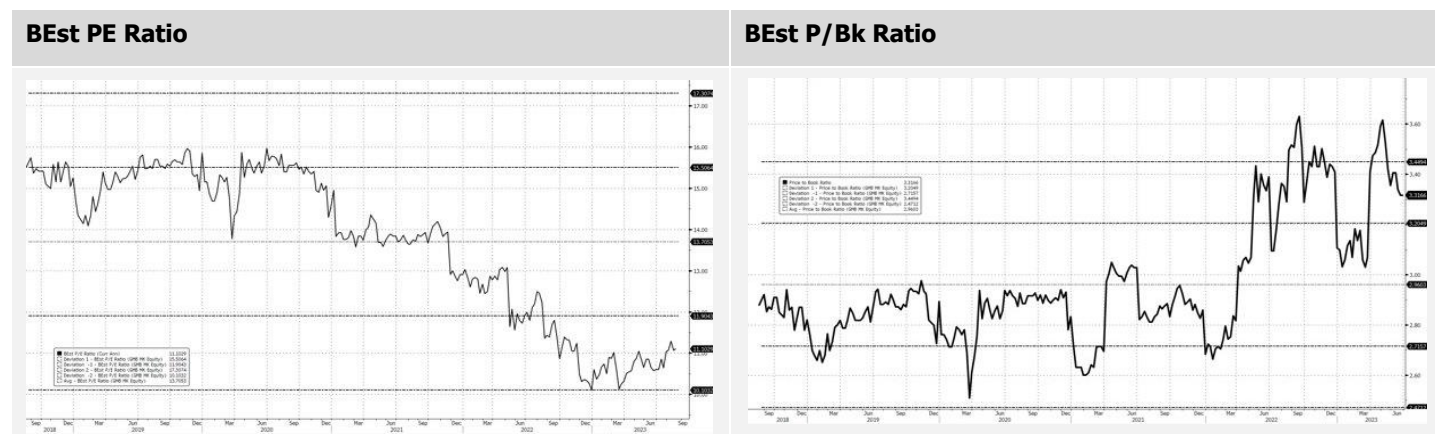
KEY STATISTICS

FBM KLCI	1,450.57
Issue shares (m)	1284.0
Estimated free float (%)	15.0
Market Capitalisation (RM'm)	3,877.7
52-wk price range	RM2.97-RM3.65
3-mth average daily volume (m)	1.0
3-mth average daily value (RM'm)	2.9
Top Shareholders (%)	
Anglo Oriental Annuities Sdn Bhd	30.93
Tokvo Gas-Mitsuit & Co Holdinas	18.5
Petronas Gas Bhd	14.8

Table 1: Gas Malaysia's Quarterly Earnings Review

Financial year ending 31st Dec (in RM'm unless stated otherwise)	Quarterly Results					Cumulative results		
	2QFY22	1QFY23	2QFY23	QoQ (%)	YoY (%)	6MFY22	6MFY23	YoY (%)
Revenue	1,777.1	2,439.8	2,020.8	(17.2)	13.7	3,561.3	4,460.6	25.3
Cost of Sales	(1,617.6)	(2,295.6)	(1,869.2)	(18.6)	15.6	(3,265.4)	(4,164.8)	27.5
Gross Profit	159.5	144.2	151.6	5.1	(5.0)	295.9	295.8	(0.0)
Finance income	2.5	5.0	4.5	(8.8)	81.0	4.0	9.5	134.0
Other operating income	0.5	0.5	0.8	54.8	66.2	0.9	1.3	39.8
Admin. expenses	(17.0)	(21.2)	(21.0)	(1.1)	23.9	(33.2)	(42.2)	27.1
Selling & distribution expenses	(0.3)	(0.4)	(0.3)	(8.8)	21.4	(0.4)	(0.7)	54.9
Finance costs	(2.1)	(2.7)	(2.4)	(11.4)	17.5	(4.9)	(5.1)	4.5
Share of results in JV	0.9	1.3	(1.3)	(199.3)	(241.7)	2.1	0.0	(99.6)
Profit before zakat & taxation	144.1	126.6	131.9	4.1	(8.5)	264.4	258.5	(2.2)
Tax expenses	(35.9)	(30.7)	(33.2)	8.2	(7.5)	(64.0)	(63.8)	(0.2)
Profit after tax	107.3	95.1	97.8	2.9	(8.9)	198.7	192.9	(2.9)
Exceptional Items	0.6	0.6	(2.6)	(531.7)	(574.0)	0.4	(2.0)	(559.3)
PATANCI Ex-EI	107.9	95.7	95.2	(0.5)	(11.8)	199.1	190.9	(4.1)
Basic EPS (sen)	8.4	7.4	7.6	2.8	(8.9)	15.5	15.0	(2.8)
DPS (sen)	4.5	22.8	4.8	(78.9)	6.7	12.8	22.8	77.8
				+ / (-) ppts				+ / (-) ppts
Gross Profit Margin (%)	9.0	5.9	7.5	1.6	(1.5)	8.3	6.6	(1.7)
Pretax Profit Margin (%)	8.1	5.2	6.5	1.3	(1.6)	7.4	5.8	(1.6)
Net Margin (%)	6.0	3.9	4.8	0.9	(1.2)	5.6	4.3	(1.3)
Segmental: Natural Gas & LPG								
Revenue:	1,777.1	2,439.8	2,020.8	(17.2)	13.7	3,561.3	4,460.6	25.3
EBITDA	166.2	148.1	151.3	2.2	(9.0)	308.4	299.4	(2.9)

Source: Company, MIDFR

FORWARD BAND

Source: Bloomberg, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	5,851.6	7,649.4	7,841.1	7,997.0	8,155.9
EBITDA	400.4	540.4	570.1	652.0	663.3
D&A	93.8	102.0	96.7	102.7	106.5
Profit before tax	330.4	546.7	572.0	654.3	667.6
Tax	-77.3	-153.7	-89.6	-93.6	-103.2
PATAMI	249.6	389.5	438.5	520.8	534.1
Core PATAMI	249.5	389.5	438.5	520.8	534.1
Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Fixed assets	1,532.6	1,616.0	1,642.9	1,680.2	1,731.5
Intangible assets	17.0	15.2	17.4	17.8	17.8
Non-current assets	1,635.0	1,726.6	1,768.9	1,823.1	1,843.3
Cash	42.9	591.3	687.4	831.5	1,070.0
Trade debtors	750.5	824.8	886.9	903.3	898.9
Current assets	1,233.4	1,420.7	1,503.5	1,507.5	1,582.2
Trade creditors	1,191.9	1,362.1	1,339.8	1,352.8	1,328.3
Short-term debt	320.2	161.2	294.2	460.8	485.6
Current liabilities	1,524.7	1,560.9	1,634.7	1,659.1	1,637.4
Long-term debt	11.0	80.0	90.4	41.5	34.9
Non-current liabilities	213.6	308.1	301.7	296.4	282.4
Share capital	642.0	642.0	642.0	642.0	642.0
Retained earnings	484.6	633.1	638.7	669.2	719.1
Equity	1,130.0	1,278.3	1,272.1	1,306.2	1,349.7
Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	330.4	546.7	572.0	654.3	667.6
Depreciation & amortisation	93.8	102.0	96.7	102.7	106.5
Operating cash flow	544.1	658.5	662.8	619.6	650.2
Investing cash flow	-456.1	232.3	-86.4	-106.9	-153.5
Financing cash flow	-277.9	-342.4	-350.6	-384.1	-398.4
Net cash flow	-189.9	548.4	225.8	128.6	98.3
Beginning cash flow	232.8	42.9	591.3	817.1	945.7
Ending cash flow	42.947	591.3	817.1	945.7	1,044.0
Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBITDA margin	6.8%	7.1%	6.6%	7.3%	7.3%
PBT margin	5.6%	7.2%	6.7%	7.3%	7.3%
Core PAT margin	4.3%	5.1%	5.5%	6.1%	6.0%

Source: Bloomberg, 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.

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