

Gas Malaysia Berhad

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

Pioneering Biomethane as Part of Clean Energy Fuel

KEY INVESTMENT HIGHLIGHTS

- **Two biomethane projects by 1HCY24, with RM15m-20m capex**
- **Additional RM1.2m-1.4m capex to extend 700-800km pipeline**
- **GMB to install solar panels in premises, change 120-130 vehicles to EV as part of sustainability plan**
- **Maintain BUY with an unchanged TP:RM4.00**


Up to RM20m capex. Gas Malaysia (GMB) will be initiating two more biomethane projects by the 1HCY24, aiming to integrate the projects into the Natural Gas Distribution System (NGDS) as part of its foray into renewable and sustainable energy. It is estimated a capex of roughly RM15m-RM20m would be designated for each plant construction. These biomethane stations will facilitate the extraction, purification, and subsequent reintegration of biomethane into its pipeline system, as well as directly supplying biomethane to customers nearby. As of current, GMB holds a gas purchase agreement with Sedenak Palm Oil Mill and Coronation Palm Oil Mill in Johor.

Another capex for NG pipelines. GMB is also earmarking a capex of RM1.2m-RM1.4m for the construction of an additional 700 to 800 km of natural gas pipeline within its NGDS network over the forthcoming 5 years. To date, GMB has established over 2,800km of NG pipeline catering to 24,000 industrial, commercial and residential customers.

Business Sustainability Plan introduced. As part of its sustainability goals, GMB plans to install rooftop solar panels across all its office premises in Peninsular Malaysia. Additionally, the company is strategizing to shift its fleet of approximately 120 to 130 petrol and diesel vehicles to electric vehicles (EV) by 2032.

On the right and clean track. We opine that GMB will continue to pioneer and expand in the local gas pipeline scene, as well as in the biomethane subsector. This is in line with the government's initiatives for a more sustainable power source and cleaner fuel under its energy transition goals, in order to run the manufacturing industry, as well as to cater to the demands from the commercial and residential. Natural gas had also been further promoted as a transitional fuel, giving GMB the upper hand in the subsector. All in all, we are positive on GMB's trajectory in this endeavour.

No changes to earnings estimates. We make no changes to our earnings estimates ahead of the quarter season earnings. However, we view these initiatives positively and we believe they would contribute well to GMB in the coming years.

Maintain BUY. We maintain our **BUY** call on **GMB**, with a **target price of RM4.00**. Our target price is pegged on a PER of 10.0x to EPS24 of 40.6sen. The PER is the company's 5-year average. 

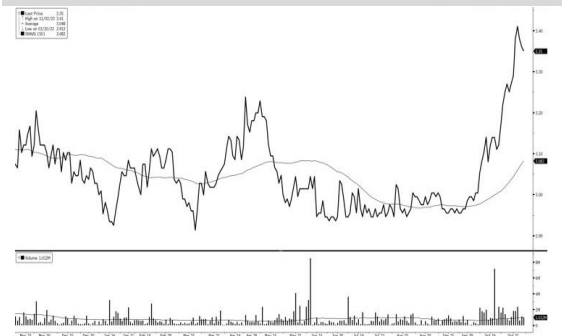
Maintain BUY

Unchanged Target Price: RM4.00

RETURN STATISTICS

Price @ 7 th Nov 2023 (RM)	3.35
Expected share price return (%)	+19.4
Expected dividend yield (%)	+7.2
Expected total return (%)	+26.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	9.5	6.0
3 months	10.2	10.0
12 months	1.5	0.0

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	1,463.37
Issue shares (m)	1284.0
Estimated free float (%)	15.5
Market Capitalisation (RM'm)	4,301.4
52-wk price range	RM2.97-RM3.46
3-mth average daily volume (m)	0.9
3-mth average daily value (RM'm)	2.9
Top Shareholders (%)	
Anglo Oriental Annuities Sdn Bhd	30.93
Tokvo Gas-Mitsui & Co Holdings	18.5
Petronas Gas Bhd	14.8

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