

Gas Malaysia Berhad

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

High Demand for Gas in 1QFY24

KEY INVESTMENT HIGHLIGHTS


- **GMB's 1QFY24 revenue down -23%yoy due to lower ASP while earnings up +6%yoy from higher volume sold and higher tolling fee**
- **1QFY24 earnings within expectation**
- **Demand growth from industrials and consumer sectors, higher ASP expected moving forward**
- **Maintain BUY with target price of RM3.96**

Maintain BUY, TP:RM3.96. Gas Malaysia Bhd (GMB)'s 1QFY24 results were within our and consensus' expectations at 22% and 28% respectively. At this juncture, we maintain our **BUY** call for GMB with an unchanged **target price of RM3.96**.

1QFY24 revenue down -23%yoy. GMB's 1QFY24 revenue slipped -23.2%yoy to RM1.87b. This was in line with lower average natural gas selling price in line with the average Brent crude price with a laggard of 6-months at USD77pb (1Q24:USD83pb), partially mitigated by higher volume of natural gas sold and higher tolling fee.

1QFY24 normalised earnings up +6%yoy. 1QFY24 normalised earnings gained by +6.1%yoy to RM101.6m. This was mainly due to: (i) higher volume of natural gas sold, (ii) higher tolling fee, and (iii) higher finance and other income. These are partially offset by lower average natural gas contribution margin, in line with: (i) lower average natural gas cost, (ii) higher admin expenses, and (iii) higher finance costs.

Demand growth expected. We remain positive on GMB's continuous resiliency in its financial performance. With the expectation of a healthy GDP growth and continued domestic demand growth, we opine that the group will continue to operate efficiently and remain competitive in the business. The anticipation of a relatively stable Brent crude oil price in CY24, and growth in the local industrial and consumer sectors, added to the optimism.

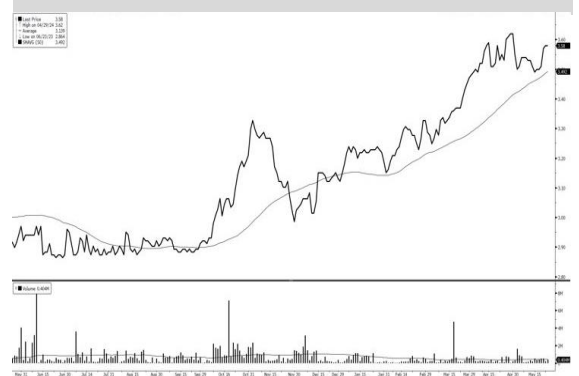
No changes to earnings estimates. Considering that GMB's earnings came in within our expectations, we make no changes to our earnings estimates at this juncture. We maintain a **BUY** call for GMB, with a target price of **RM3.96**. 

Maintain BUY**Maintain Target Price: RM3.96**

RETURN STATISTICS

Price @ 24 th May 2024 (RM)	3.58
Expected share price return (%)	+10.6
Expected dividend yield (%)	+6.3
Expected total return (%)	+16.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.4	-1.6
3 months	3.2	-2.8
12 months	14.7	-0.1

INVESTMENT STATISTICS

FYE Dec	2024F	2025F	2026F
Revenue	8,227	8,618	9,199
Operating Profit	566	669	707
Profit Before Tax	574	676	713
Core PATAMI	455	579	624
Core EPS	35.4	45.1	48.6
DPS	24.8	29.3	31.6
Dividend Yield	6.7%	7.9%	8.5%

KEY STATISTICS

FBM KLCI	1,619.40
Issue shares (m)	1,284.0
Estimated free float (%)	30.25
Market Capitalisation (RM'm)	4,596.72
52-wk price range	RM2.97-RM3.65
3-mth average daily volume (m)	0.46
3-mth average daily value (RM'm)	1.57
Top Shareholders (%)	
Anglo Oriental Annuities Sdn Bhd	30.93
Tokvo Gas-Mitsuit & Co Holdings	18.50
Petronas Gas Bhd	14.80

Table 1: Gas Malaysia's Quarterly Earnings Review

Financial year ending 31st Dec (in RM'm unless stated otherwise)	Quarterly Results					Cumulative results		
	1QFY23	4QFY23	1QFY24	QoQ (%)	YoY (%)	3MFY23	3MFY24	YoY (%)
Revenue	2,439.8	1,801.5	1,872.6	3.9	(23.2)	2,439.8	1,872.6	(23.2)
Cost of Sales	(2,295.6)	(1,633.6)	(1,718.0)	5.2	(25.2)	(2,295.6)	(1,718.0)	(25.2)
Gross Profit	144.2	167.9	154.6	(7.9)	7.2	144.2	154.6	7.2
Finance income	5.0	4.8	5.4	13.6	9.5	5.0	5.4	9.5
Other operating income	0.5	0.5	1.2	124.1	132.3	0.5	1.2	132.3
Admin. expenses	(21.2)	(29.1)	(22.2)	(23.6)	4.8	(21.2)	(22.2)	4.8
Selling & distribution expenses	(0.4)	(0.4)	(0.4)	9.2	20.9	(0.4)	(0.4)	20.9
Finance costs	(2.7)	(3.0)	(3.4)	13.2	23.7	(2.7)	(3.4)	23.7
Share of results in JV	1.3	2.0	1.4	(27.0)	13.2	1.3	1.4	13.2
Profit before zakat & taxation	126.6	142.7	136.6	(4.3)	7.9	126.6	136.6	7.9
Tax expenses	(30.7)	(37.5)	(33.1)	(11.7)	7.9	(30.7)	(33.1)	7.9
Profit after tax	95.1	104.3	102.6	(1.6)	7.9	95.1	102.6	7.9
Exceptional Items	0.6	0.0	(1.1)	(-280.0)	(183.3)	0.6	(1.1)	(183.3)
PATANCI Ex-EI	95.7	104.4	101.6	(2.7)	6.1	95.7	101.6	6.1
Basic EPS (sen)	7.4	8.1	8.0	(1.7)	7.8	7.4	8.0	7.8
DPS (sen)	3.2	-	-	-	-	3.2	-	-
				+ / (-) ppts				+ / (-) ppts
Gross Profit Margin (%)	5.9	9.3	8.3	(1.1)	2.3	5.9	8.3	2.3
Pretax Profit Margin (%)	5.2	7.9	7.3	(0.6)	2.1	5.2	7.3	2.1
Net Margin (%)	3.9	5.8	5.5	(0.3)	1.6	3.9	5.5	1.6
Segmental: Natural Gas & LPG								
Revenue:	2,439.8	1,712.7	1,872.6	9.3	(23.2)	2,439.8	1,872.6	(23.2)
EBITDA	148.1	162.2	160.3	(1.1)	8.3	148.1	160.3	8.3

FORWARD BAND

Source: Bloomberg, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024F	2025F	2026F
Revenue	7,649.4	8,078.9	8,226.9	8,617.7	9,199.4
EBITDA	540.4	501.7	565.7	669.2	707.0
D&A	102.0	103.8	113.8	119.4	125.5
Profit before tax	546.7	513.7	574.2	675.5	713.2
Tax	-153.7	-126.8	-115.7	-92.8	-87.2
PATAMI	389.5	383.4	455.0	579.2	623.5
Core PATAMI	389.5	383.4	455.0	579.2	623.5

Balance Sheet (RM'm)	2022A	2023A	2024F	2025F	2026F
Fixed assets	1,616.0	1,734.2	1,790.3	1,844.2	1,936.5
Intangible assets	76.1	78.2	76.2	76.0	76.9
Non-current assets	1,726.6	1,840.8	1,866.5	1,920.3	2,013.5
Cash	591.3	688.9	708.0	731.7	802.4
Trade debtors	824.8	672.3	726.8	806.1	865.2
Current assets	1,420.7	1,364.8	1,434.8	1,537.8	1,667.6
Trade creditors	1,362.1	1,249.8	1,309.4	1,391.0	1,515.0
Short-term debt	161.2	250.2	268.7	286.4	295.5
Current liabilities	1,560.9	1,526.4	1,578.1	1,677.4	1,810.5
Long-term debt	80.0	80.0	97.9	98.9	108.2
Non-current liabilities	308.1	311.3	337.7	343.0	353.3
Share capital	642.0	642.0	642.0	642.0	643.0
Retained earnings	633.1	726.6	743.6	795.6	874.2
Equity	1,278.3	1,367.9	1,385.6	1,437.6	1,437.6

Cash Flow (RM'm)	2022A	2023A	2024F	2025F	2026F
PBT	546.7	513.7	574.2	675.5	713.2
Depreciation & amortisation	102.0	103.8	113.8	119.4	125.5
Changes in working capital	56.6	49.4	57.0	26.4	80.4
Operating cash flow	626.0	515.9	597.2	658.8	739.7
Capital expenditure	260.8	-56.4	-199.1	-263.4	-360.6
Investing cash flow	232.3	-204.2	-186.9	-252.2	-280.1
Debt raised/(repaid)	-90.0	89.0	-99.4	-74.6	-51.0
Dividends paid	-241.0	-289.9	-291.7	-308.3	-337.9
Financing cash flow	-342.4	-214.1	-391.1	-383.0	-388.9
Net cash flow	548.4	97.6	19.1	23.7	70.6
Beginning cash flow	42.9	591.3	688.9	708.0	731.7
Ending cash flow	591.3	688.9	708.0	731.7	802.4

Profitability Margins	2022A	2023A	2024F	2025F	2026F
EBITDA margin	7.1%	6.2%	6.9%	7.8%	7.7%
PBT margin	1.3%	1.3%	1.4%	1.4%	1.4%
Core PAT margin	5.1%	4.7%	5.5%	6.7%	6.8%

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