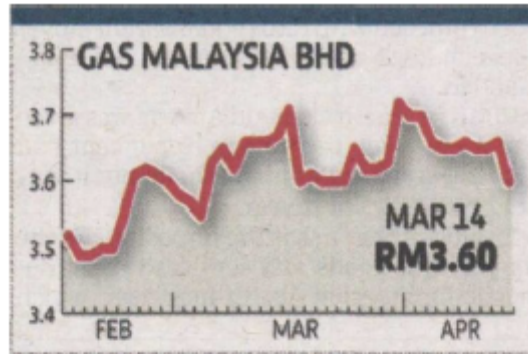


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Maybank IB maintains 'hold' on Gas Malaysia

MAYBANK Investment Bank Bhd (Maybank IB) has maintained its "hold" call on Gas Malaysia Bhd following the company's announcement that the government has approved a 20 per cent increase in blended gas tariffs to RM19.32/mmBTU (million metric british thermal unit) from RM16.07/mmBTU, effective May 1.

In a research note yesterday, the investment bank said the hike appeared to reflect a pass-through of higher gas cost based on last year's gas volumes. Thus, any incremental gas sales this year would be earnings-dilutive.

"Our forecast presently implies no change in Gas Malaysia's RM2.02/mmBTU margin spread for both regulated and liquefied natural gas-sourced gas going forward, as the company didn't mention any changes to its spread from the hike.

"We lowered our earnings forecast by 12-22 per cent to account for lower volume assumption after a change in analyst coverage. Our new target price of RM3.50 from RM3.90 previously is based on discounted cash flow, assuming 7.3 per cent weighted average cost of capital and two per cent long-term growth," it said.

The revised 2014 earnings forecast was based on a 1.8 per cent gas volume growth and took into account the new gas price of RM19.32/mmBTU, it added.

From next year onwards, Maybank IB said Gas Malaysia will be able to get the required price hikes to keep spreads constant at RM2.02/mmBTU and it had assumed a 4.5-6.0 per cent annual gas volume growth. **Bernama**