

Distribution, good practices give Gas Malaysia the edge

KUALA LUMPUR: Amidst rising environmental, social and governance (ESG) pressure on the oil and gas industry, Gas Malaysia Bhd stands to benefit from its good practices and strong position in gas distribution.

With growing demand for cleaner sources of energy, analysts noted that gas is the cleanest of fossil fuels and is, therefore, deemed more palatable for the environment.

Given the limited developmental potential of renewables and the prevailing structure of power purchase agreements, Maybank IB Research said gas will continue to feature very prominently in Malaysia for at least the next decade.

"The risk of stranded assets is thus low. Given its almost monopolistic position in gas distribution, we do not expect Gas Malaysia to deviate from its gas-centric business in the foreseeable future," the research house said in a report yesterday.

As enablers of fossil fuels, downstream energy companies, notably, face some degree of environmental scrutiny. But given that Gas Malaysia operates solely in the realm of gas, this would buoy the company in the course of the energy transition in the following years.

Maybank also pointed out that despite being a tycoon-backed company – whereby MMC Corp Bhd is Gas Malaysia's largest

shareholder with a 31% stake – there have not been any questionable related-party transactions since relisting.

Gas Malaysia sources its gas entirely from Petroliaam Nasional Bhd (Petronas) with gas prices regulated by the Energy Commission.

Earnings for the group have remained stable. It posted higher net profit of RM55.63mil for the first quarter ended March 31, 2021 compared to RM47.86mil a year ago despite revenue declining to RM1.15bil from RM1.61bil previously.

In recent developments, the company also announced the appointment of former Petronas president and group chief executive

officer Tan Sri Wan Zulkiflee Wan Ariffin as Gas Malaysia chairman.

Maybank remains favourable towards the company given its positive practices in the ESG space and its good dividend payout.

"Gas Malaysia is proactive with capital management, having historically maintained a payout of more than 90%, above its dividend policy of a minimum 75% payout," it said.

However, the brokerage has downgraded its rating on Gas Malaysia to "hold" from "buy" previously, noting that the ongoing movement restrictions could weigh on its potential earnings upside.