

KUALA LUMPUR (Oct 12): Gas Malaysia Bhd's announcement that net tariff for the fourth quarter of 2021 (4Q21) would be raised to RM36.42 per million British Thermal Units (MMBtu) from RM30.03 per MMBtu in 3Q21 would have a positive impact on its spread, said Maybank Investment Bank (Maybank IB) Research, but could see possible earnings offset from the movement control order (MCO)-induced volume weakness in 3Q21.

In a research note on Tuesday (Oct 12), the research house said the tariff includes a distribution tariff of RM2.05 per MMBtu, which remained unchanged quarter-on-quarter, but excludes a surcharge.

It added that the key regulatory inputs such as purchase price, regulatory WACC and retail margin remain undisclosed.

"The higher gas tariff in 4Q21 was again likely due to higher gas cost from Petroliam Nasional Bhd (Petronas), given the distribution tariff was unchanged q-o-q and the tariff surcharge was discontinued.

"LNG-indexed gas prices published by the regulator were last updated in July 2021, but should have risen further in tandem with crude oil prices," said the research house.

The higher gas cost not only directly impacts end tariff but also raises retail

## Gas Malaysia could see possible earnings offset despite higher gas tariff — Maybank IB Research

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margins, both of which are positive for Gas Malaysia, all else being equal, said Maybank IB Research.

The research house maintained a "hold" call on the counter, with an unchanged target price of RM2.80.

"Every five sen per MMBtu change to our spread assumption (RM2.25 per MMBtu) would move our FY21 net profit forecast by 3.8%," it said.

At 4pm, Gas Malaysia was up 1.49% to RM2.72, putting the company market capitalisation at RM3.49 billion.