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## HLIB Research maintains 'hold' call on PetGas

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### RM17.86 TARGET PRICE

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**KUALA LUMPUR:** Petronas Gas Bhd (PetGas) may fork up RM3 billion in capital expenditure (capex) to develop a new regasification terminal 3 (RGT-3) in Lumut, Perak, according to Hong Leong Investment Bank Bhd (HLIB Research).

PetGas was exploring a potential joint development with a strategic partner, which could include Tenaga Nasional Bhd, HLIB Research noted.

The estimated RM3 billion capex for the project would be funded via an 80 to 20 debt-to-equity structure, the firm added.

HLIB Research also said PetGas had awarded a contract to MISC Bhd for the supply, operation and maintenance of the floating storage and regasification unit.

PetGas on Monday announced that it had been awarded the contract to develop the RGT-3 using a floating storage and regasification unit concept.

The facility will have a liquefied natural gas storage capacity of 170,000m<sup>3</sup> and a regasification send-out capacity of 500 million standard cubic feet per day.

The firm viewed the project as a meaningful long-term earnings catalyst that could lift PetGas' annual earnings base by around RM100 million from as early as the second half of 2029.

HLIB Research said the development is timely as PetGas' existing earnings base has been under pressure, with its regulated asset base declining as depreciation outpaces capital expenditure replenishment.

"RGT-3 is also seen as complementary to Gas Malaysia Bhd's RGT-4, supporting Peninsular Malaysia's transition towards its net zero emissions target by 2050 through the development of new gas-fired power plants to replace the expected decommissioning coal-fired power plants."

RGT-3 is expected to support additional gas demand equivalent to about 3.5 gigawatts of gas power generation capacity in Peninsular Malaysia.

The project will be regulated by the Energy Commission under the Incentive-Based Regulation framework, with tariffs to be determined accordingly.

Commercial operation is targeted for the second quarter of 2029.

Overall, HLIB Research has maintained its earnings forecasts for PetGas, as contributions from the new asset will only begin in financial year 2029.

It maintained its "hold" recommendation on the group, with an unchanged target price of RM17.86, based on a sum-of-parts valuation.