

PETRONAS Gas Berhad

Q3 2023 Analyst Briefing



Nov 20, 2023 / 4.00 PM (GMT +8), Q3 2023 PETRONAS Gas Bhd Earnings Call

Corporate Participants

Abdul Aziz bin Othman, PETRONAS Gas Berhad - MD, CEO & Director
Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – CFO
Suriyanti binti Nordin - Head of IR

Conference Call Participants

Daniel Wong, Hong Leong Investment Bank Berhad, Research Division - Research Analyst

PRESENTATION

Operator

Good day and thank you for standing by. Welcome to the PETRONAS Gas Berhad Analyst Briefing for quarter ended 30th of June 2023 call and webcast.

(Operator Instructions) Please note that today's conference is being recorded. I would now like to turn the conference over to your speaker, Suri Nordin. Please go ahead.

Suriyanti Nordin, PETRONAS Gas Berhad - Head of IR

Assalamualaikum and Good evening, everyone. Thank you for joining our session today for PETRONAS Gas Berhad's Analyst Briefing for quarter ended 30th June, 2023. My name is Suri from Investor Relations, and I have with me from PGB, Encik Abdul Aziz Othman, Managing Director and CEO; Encik Shahrul Azham Sukaiman, Chief Financial Officer; and Encik Hisham Maaulot, Head of Business Development and Commercial.

We'll start the briefing with key highlights, business updates, financial performance, and to be followed by question-and-answer session. For reference, our financial result is available at both Bursa Malaysia and PGB websites. The presentation material is available at our website and also at the webcast host platform.

Without further ado, I'll hand over to Encik Aziz for the highlights. Encik Aziz?

Abdul Aziz bin Othman, PETRONAS Gas Berhad - MD, CEO & Director

Thank you, Suri.

Assalamualaikum and good evening everyone. Thank you for joining us today.

Also, I would like to apologize for the technical glitch that we were facing just now. Let us start, with an overview of the business environment for the business. As forecasted in the previous analyst briefing, the Malaysia Reference Price, which is the gas price for Malaysia is taper down to MYR 48 per MMBtu in quarter 2 2023 from a peak of MYR 58 per MMBtu in quarter 1 2023. We expect MRP to follow the same downward trend in the following quarters, although still higher than the preceding years.

Nov 20, 2023 / 4.00 PM (GMT +8), Q2 2023 PETRONAS Gas Bhd Earnings Call

Abdul Aziz bin Othman, PETRONAS Gas Berhad - MD, CEO & Director

The increasing Services Producer Price Index, SPPI trend would continue to affect our operational and maintenance spending. While it may not be at the same rate of increase, the spending will still be higher than we have seen before. We expect the high-cost environment to continue in the near term with MRP and overall cost of doing business remaining at elevated levels, while revenue we expect to remain stable throughout the quarters.

Now moving on to the key highlights for the quarter. Our operational performances continue to be at world-class standards with focus, as always, on continuous improvement, utilizing our predictive analytical tools from our investment in digitalization and talent. Again, we achieved close to 100% reliability in delivering products and services in all our operating segments.

On the financial side, revenue for quarter 2 2023 was higher than the same quarter in 2022. This is despite the lower RP2 tariffs for our regulated business. And this is mainly due to higher revenue from the Utilities segment on higher product prices, and this has also resulted in higher gross profit during the quarter. Profit for the period improved in line with higher gross profit, coupled with higher profit contribution from joint ventures companies. Higher income from fund placement, lower ForEx movement exposure following the early settlement of FSU at LNG Regasification Terminal in Sungai Udang, Melaka, and of course, the lower tax expense. With that, we have declared an interim dividend for the quarter at MYR 0.16 per share, similar to quarter 1 2023.

Taking a snapshot at the financials, comparing half 1 2023 with half 1 2022, the group revenue stood at MYR 3.31 billion, an increase of 11.8% or MYR 349.8 million. And this is mainly contributed by higher revenue from Utilities segment, which is in line with the higher product price. Gross profit was, however, MYR 36.7 million or 3% lower due to higher operating expenses, mainly relating to internal gas consumption (IGC) and depreciation expenses by both Gas Transportation and Gas Processing segments, coupled with lower revenue from the Regasification segment. These were offset with higher margin contribution from Utilities segment, and this is in tandem with higher revenue as well as stronger margin as a result of a more balanced cost pass-through to customers, reducing the business exposure to gas price volatility.

PAT showed a 10.7% or MYR 91.2 million, increased on the back of strong operational performance and further supported by higher profit contribution from the joint venture companies, higher interest income from fund investments and lower Forex movement exposures. And following the -- as we're all aware, the early settlement of FSU at LNG Regasification in Sungai Udang, Melaka. This is further supported by lower tax expenses, most of it from no imposition of prosperity tax as compared to corresponding period in 2022.

EBITDA was higher by 1.1% or MYR 17.2 million, in line with PBT movement. EPS accordingly increased by 12.7%, reflecting higher profit attributable to shareholders of the company. Dividend per share for the quarter was approved at MYR 0.16, making it a total of MYR 0.32, similar to the same period last year. Later, the details on our financial performance will be presented by Encik Shahrul.

Nov 20, 2023 / 4.00 PM (GMT +8), Q2 2023 PETRONAS Gas Bhd Earnings Call

Abdul Aziz bin Othman, PETRONAS Gas Berhad - MD, CEO & Director

Now let's move on to the business updates. First, starting with Gas Processing. As I've mentioned, PGB continuously operating our Gas Processing plant at world-class standard. Our commitment to customers is reflected by consistently meeting the reservation charge requirement as per the Gas Processing Agreement with the shipper, achieving 99.9% OEE and 100% reliability for both C1 and C2 products. One of our focuses for this year is to change our operating philosophy in order to optimize the sales gas production as requested by the shipper while maintaining 100% reliability. This effort, together with the support of predictive analytics by our tech centers has resulted in MYR 43 million of performance incentives achieved in the quarter.

On project updates, the disruption in the supply chain following the COVID-19 pandemic and subsequently, the Ukraine war, continues to impact our business activities. Our biggest project at GPU, the TCOT off-gas rerouting project, is progressing slightly behind schedule. And this is due to the delay in compressor fabrication and instrument equipment works. Regardless, a slight delay has minimal impact to PGB. And on the Third Term Gas Processing Agreement, we aim to conclude negotiation by end of this quarter.

Next, the Gas Transportation. The group pipeline network sustained close to 100% reliability during the period under review. Average sales gas delivered was more than 2.1 billion standard cubic feet per day. On growth projects, the pipeline extension to Pulau Indah is progressing with slight delay. We are facing some construction challenges, but still within our risk control and the completion date is within the requested delivery period of the customer and the shipper.

As for the Kluang compressor station project, the estimated delay was more than what we expected due to the supply chain disruption as explained earlier. However, there is no commercial impact as the project is fully socialized and the extended completion date is now looking at end of quarter 4 2024. Meanwhile, the new project in Banting has achieved gas in in July earlier than scheduled and is expected to achieve initial acceptance by end of quarter 3 2023.

For Regasification business, we managed to sustain full capacity payment supported by strong operational performance at both the terminals. The group LNG regasification terminals in Sungai Udang, Melaka and Pengerang, Johor sustained their strong liability performance at close to 100% during the quarter. We received a total of 27 cargoes at both terminals, higher than the 23 cargoes received in half 1 2022. This is in line with the higher level of business activities.

The RGT Sungai Udang received 4 cargoes, while the RGT Pengerang received 23 cargoes, making it a total of 27 cargoes for the first half of the year. Both RGT Sungai Udang and RGT Pengerang have been operating under remote assistance and insights from the Unified Operations Center in Segamat. As for the LNG storage project, we are close to reaching final investment decision, and we hope to make an announcement before end of the year.

Nov 20, 2023 / 4.00 PM (GMT +8), Q2 2023 PETRONAS Gas Bhd Earnings Call

Abdul Aziz bin Othman, PETRONAS Gas Berhad - MD, CEO & Director

For Utilities, overall, we continue to fulfill customers' demand with 100% product delivery reliability for electricity and steam, supported by higher plant availability and reliability. For electricity, the first half of 2023 volume was lower than the same period in 2022 due to lower offtake from customers and lower sales to the grid due to the unfavorable pricing during the quarter. For steam, offtake is slightly lower as per customer demand. For industrial gases, sales volume delivered was higher compared to the same period last year. And again, this is in line with higher customers' plant availability.

With the fluctuation in fuel gas price, electricity, and steam demand, it is crucial to operate the plant with optimum parameters to optimize fuel gas consumption while still meeting customers' demand. Our Cogen optimization initiative, resulting in savings on our production costs for electricity and steam. As at quarter 2 2023, the optimization value amounting to MYR 7.2 million.

In June 2023, the government announced an imbalanced cost pass-through ICPT surcharge of MYR 0.17 per kilowatt hour for the period of 1st July until 31st December 2023. This is lower than the surcharge in half 1 of 2023 at MYR 0.20 per kilowatt hour. What this means for PGB is that the electricity tariff will be lower by MYR 0.03 because of the downward revision of ICPT surcharge, of course, leading to lower revenue for the next 6 months.

Projects, as highlighted earlier, our project execution have been impacted by supply chain disruption, which caused several projects to be delayed. Rest assured, we are closely monitoring all the projects to ensure that they are delivered within reasonable time, while at the same time to also ensure the projects are safe and within their respective budgets. We will also continue to pursue opportunities for projects that would enhance revenue contribution for GPU business and add to regulated asset base under the Gas Transportation and Regasification business.

For projects in the pipeline, referring to the right side of the slide, we are close to reaching final investment decision for the LNG storage expansion in Pengerang and we hope, as I mentioned, to make an announcement sooner. PGB is also looking forward to play a vital role in Petronas carbon capture and storage integrated value chain. Studies are currently underway prior to final investment decision, which we hope to make some time in the future.

So that's all on operational highlights. Over to Shahrul for financials.

Shahrul Azham Bin Sukaiman, PETRONAS Gas Berhad - CFO

Thank you, Encik Aziz. Good evening, everyone.

I will take you through the financials for quarter 2 2023. So, we will start with segmental performance for Gas Processing. In quarter 2 2023, the business continued to run reliably with sustained revenues amidst high operating costs. Against preceding quarter 1 2023, revenue for the quarter was comparable at MYR 447 million. Gross profit was, however 5% higher at MYR 219 million, mainly due to lower operating expenses.

Nov 20, 2023 / 4.00 PM (GMT +8), Q2 2023 PETRONAS Gas Bhd Earnings Call

Shahrul Azham Bin Sukaiman, PETRONAS Gas Berhad - CFO

Against the corresponding quarter, quarter 2 2022, segment revenue increased by 2%, following the higher internal gas consumption incentive achieved, and this is supported by the continuous operational optimization efforts as mentioned by Encik Aziz earlier. Segment results, however, declined by 6% due to higher operating expenses, mainly depreciation expense in line with higher capital expenditure.

For results against corresponding year-to-date against first-half 2022, revenue improved by 2% to MYR 891 million on higher internal gas consumption incentive following favorable impact from change in operating philosophy at Gas Processing plants. Nevertheless, segment results declined by 8% to MYR 427 million due to higher operating expenses, mainly depreciation expenses in line with high capital expenditure, as well as other cost escalation, including manpower costs.

Next, moving on to Gas Transportation. The group's pipeline network registered close to 100% reliability during the quarter under review. And just to recap, the business assumed new RP2 tariffs effective 1st January this year for PGU tariff and a separate tariff for PGU Sector III, which is the Tariff C. Comparing the results against preceding quarter, quarter 1 2023, revenue was slightly lower by 2% at MYR 283 million, mainly from lower Gas Transportation revenue as we have divested our gas pipeline in Sabah effective April this year.

In contrast, gross profit rose by 34% to reach MYR 165 million due to low operating cost, mainly from internal gas consumption due to lower fuel gas price in line with the lower MRP. As mentioned by our CEO earlier, fuel gas price was at its highest in quarter 1 at MYR 58 per MMBtu. Against, the corresponding quarter, quarter 2 2022, segment revenue declined by 3% from lower RP2 tariff, while segment results fell by 6% due to higher operating expenses, mainly internal gas consumption in line with higher fuel gas price.

Under the new RP2 regime, impact of higher IGC cost is recoverable during the next annual review adjustment. For 6 months results against corresponding year-to-date last year, revenue was marginally lower at MYR 572 million, mainly because of lower RP2 tariff. Segment results declined by 20% to MYR 288 million, mainly due to higher operating expenses, in particular, the higher internal gas consumption expenses following high MRP for the first half of 2023.

Moving on to Regasification segment. Against the preceding quarter, quarter 1 2023, revenue was slightly higher at MYR 337 million, mainly due to higher number of operating days compared to quarter 1 this year. Segment results were 4% higher at MYR 166 million on the back of lower operating expenses, mainly lower IGC expenses in tandem with lower fuel gas price. Against the corresponding quarter, quarter 2 2022, segment revenue and results were lower by 5% and 9%, respectively, mainly due to lower RP2 tariff for RGT Pengerang. For results against corresponding quarter 6 months 2022, our revenue declined by 4% to MYR 671 million due to lower RP2 tariffs, and the results declined by 9% to MYR 326 million in tandem with lower revenue, coupled with higher operating expenses, mainly on depreciation and utilities costs.

Shahrul Azham Bin Sukaiman, PETRONAS Gas Berhad - CFO

Next, for Utilities business. The plant achieved 100% product delivery reliability for all the utilities products for the quarter under review. The financial result against preceding quarter, quarter 1 2023, revenue declined by 6% at MYR 570 million, mainly due to lower product prices in line with the decrease in fuel gas price. Gross profit was at MYR 101 million, 44% higher attributable to higher margin, mainly from favorable impact of lower fuel gas price.

Against the corresponding quarter, quarter 2 last year and also against corresponding 6 months period last year, segment revenue increased by 35% and 45% respectively, mainly attributable to higher product prices in line with higher MRP. The product price for steam and industrial gases was higher in line with the increase in fuel gas price, which is based on the MRP. As for electricity, the tariff was higher as a result of upward revision of our Imbalance Cost Pass Through or ICPT surcharge for the first half 2023 at MYR 0.20 per kilowatt hour.

Segment results grew significantly for corresponding quarter and year-to-date in tandem with higher revenue and further supported by the favorable impact of improved terms in the recent contract renewal, which allow a more balanced cost pass-through to customers, which also helped to reduce Utilities business vulnerability to gas price movements.

Combining all the results for all the segments, we moved to financial performance of PGB Group. Against preceding quarter, quarter 1 2023, group revenue was at MYR 1.64 billion, lower by 2%, mainly contributed by lower revenue from Utilities segment, driven by lower contribution from steam and industrial gases following lower MRP. Gross profit was at MYR 652 million, an increase of 19% as a result of higher contribution from all business segments following lower operating expenses, mainly fuel gas and internal gas consumption.

Similarly, profit after tax was higher by 11% at MYR 496 million, in line with higher gross profit, but partially offset by the unfavorable impact of Forex movement. So MYR weakened by end of quarter 2 compared to quarter 1 this year. Against the corresponding quarter, quarter 2 last year, PGB group revenue rose by 9%, mainly contributed by higher revenue from Utilities segment, driven by the higher product prices.

Gross profit increased by 5%, with higher contribution from Utilities segment. Profit for the quarter improved by 19%, in line with higher gross profit, coupled with higher share of profit or high profit contribution from JV companies, higher interest income from fund investments and lower exposure from Forex movement post-settlement of our US dollar lease liabilities for FSU at RGT Sungai Udang and also coupled with lower tax expenses.

In corresponding quarter, tax expense was higher because of the imposition of Prosperity Tax. For the 6-month result against corresponding period last year, group revenue increased by 12% to MYR 3.31 billion, mainly driven by higher revenue from Utilities segment. Gross profit, however, lower by 3% due to higher operating expenses coming from Gas Transportation and Gas Processing segments, coupled with lower revenue from our regasification segment, but this were partly offset by high contribution from Utilities segment.

Nov 20, 2023 / 4.00 PM (GMT +8), Q2 2023 PETRONAS Gas Bhd Earnings Call

Shahrul Azham Bin Sukaiman, PETRONAS Gas Berhad - CFO

Profit after tax for the first 6 months of 2023, higher by 11% on the back of the strong operational performance, as mentioned earlier and further supported by the higher share of profit from our JV companies, higher interest income from fund investments in line with higher interest rate, lower exposure from Forex as well as the lower tax expenses due to no imposition of Prosperity Tax.

Moving on to the balance sheet. At 30th June 2023, our group total assets declined by MYR 779 million at MYR 18.9 billion. This is mainly due to lower cash and cash equivalents, following the early settlement of our dollar lease liabilities for FSU at RGT Sungai Udang. And this was done as part of our foreign exchange rate mitigation strategy, so we can minimize our balance sheet exposure to dollar movement.

Nevertheless, we still have a healthy balance of cash with some headroom to play with for our existing and also upcoming growth projects that we have in the pipeline.

For dividends, the Board has approved the second interim dividend of MYR 0.16 per share payable on 22nd September 2023. And this interim dividend demonstrates our commitment to ensure sustained level of returns to the shareholders.

And with that, I end the financial section. I will now pass the line over to Encik Aziz to share on the company updates on look forward basis.

Abdul Aziz bin Othman, PETRONAS Gas Berhad - MD, CEO & Director

Thank you, Shahrul.

Ladies and gentlemen, despite the challenging business environment ahead, we are optimistic in delivering another resilient and healthy performance. Our focus, as always, will be on safety, reliability and operating cost to ensure a sustainable revenue with a healthy margin, while also looking at opportunities for growth and value creation. So the recently launched National Energy Transition Roadmap, NETR, Part One, reaffirms the importance and relevancy of the natural gas business for Malaysia.

The identified catalyst projects and initiatives provide several opportunities for PGB in its pursuit to grow our green portfolio, which includes renewables and CCS, supporting our target to achieve net-zero carbon emission by 2050. On that note, on 9 June 2023, we signed a memorandum of understanding with Menteri Besar Terengganu Incorporated to conduct a joint assessment on the 40-megawatt mini-hydro power plant development. And this project, if realized, would mean a new growth opportunity for PGB in renewable energy, and of course, will help us on reducing our CO2 emission. This collaboration is part of our commitment to build a green portfolio, which is essential for us to achieve our sustainability target.

That's all for now. Over to question and answer. Thank you.

QUESTIONS AND ANSWERS

Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR

Thank you, En. Aziz and En. Shahrul. We have now come to the question and answer section of the briefing. Please be reminded to continue to obey to the session rule where everyone should be on mute to ask a question. Please press the "raise hand" button and we will open the microphone for the selected participant. You may also type your question in the chat box and we will read it out loud for you. Let's start.

First question is from Daniel.

Daniel Wong, Hong Leong Research – Analyst

Can you guys hear me?

Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR

Yes.

Daniel Wong, Hong Leong Research – Analyst

Hello. Hi. Okay. My first question is with regards to what is the expected cost of maintenance in the fourth quarter? Are we expecting this operational cost including their maintenance including their FID, IGC internal gas and the maintenance cost to be even higher in the fourth quarter as compared to the third quarter?

And my second question is with regards to this collaboration with MBI (Menteri Besar Incorporated) Terengganu, this 40MW mini hydro and 150MW hydro is it currently more of an MOU stage or it's already more on progress stage, we already can say it's almost confirmed, this kind of capacity that can be developed? That's all from me. Thanks.

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

Thank you. I think on the first one, as I've mentioned, the opex we expect to be similar to Q3. Of course, we mentioned also the gas price could go slightly higher. So, but overall we expect it to remain similar to Q3, ya?

Now on the hydro, the MOU was signed some time middle of this year. So we have now embarked on feasibility study. So, of course it depends on the result of feasibility study before we decide whether we want to work on the Final Investment Decision (FID), ya? And we expect some time middle of next year to complete the feasibility study.

On the solar, we are in discussion with our potential customer because as you know, today we are selling electricity using gas generation. So, it's a bout complementing the same molecule that we are generating with gas with this solar and there are land that we have in Kertih and Gebeng that we intend to explore and develop a solar farm just to complement the electron that we are selling today, to be more green.

Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR

Thank you, Daniel. There's no one raising their hand yet. Next we have Anshool Singhi. Yes, Anshool?

Anshool Singhi, JP Morgan Chase & Co. – Analyst

Hi, can you hear me?

Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR

Yes.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

So I have a couple of questions. Let me just start with, can you share what was the average MRP between second quarter and third quarter?

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

If you go back to the slide, second slide. Oh, we are going back to the second slide. This is the trend of MRP. Q2, Q3 of 2023. Q2 about 48 and then Q3 42. Q1 is 58.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

So Q3 was 42. Is that correct?

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

Yes.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

So can you just talk about the trends of the IGC cost for the gas segments?

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

Gas segment.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

Gas processing and transportation and regasification.

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

It's comparable. Q2 and Q3 is comparable. Because you know the IGC is something that the regulator has agreed for us to, you know, if we spend, if the price is higher than what has been approved under the RP, we actually can recover it. Volume also, if we save, we can actually recover a portion of it. Ya?

Anshool Singhi, JP Morgan Chase & Co. – Analyst

Yes, I understand. I'm just trying to understand why there was a margin compression if gas cost was lower and the IGC cost incurred was also lower. Like, what was the incremental maintenance expenses or activities that you were seeing.

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

You look at the Utilities business, remember we have the benefit of the ICPT. First quarter, the government actually announced 20 sen ICPT. Then the next 6 months, the first half of the year. Then the next 6 months, from July to December, was reduced to 17 sen from 20 sen.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

What about the other segments? Gas processing and also transportation?

Shahrul Azham Bin Sukaiman, PETRONAS Gas Berhad – CFO

Gas processing, the margin is slightly lower on the back of higher operating expenditure because we see higher level of maintenance activities and also higher depreciation following capitalisation of our projects.

Nov 20, 2023 / 4.00 PM (GMT +8), Q2 2023 PETRONAS Gas Bhd Earnings Call

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director
Clear, Anshool?

Anshool Singhi, JP Morgan Chase & Co. – Analyst
And similar for transportation as well?

Shahrul Azham Bin Sukaiman, PETRONAS Gas Berhad – CFO
Yes, correct.

Anshool Singhi, JP Morgan Chase & Co. – Analyst
I understand. I also want to look at the clarification of the lower interest cost. Was this due to the closure of lease liabilities related to the RGTSU?

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director
Yes, you understood it very well, Anshool. We settled the lease liability that we have so have less cash.

Anshool Singhi, JP Morgan Chase & Co. – Analyst
And the interest costs were lower because of that as well?

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director
Yup.

Anshool Singhi, JP Morgan Chase & Co. – Analyst
I understand. You mentioned about the conclusion of negotiations for the new Gas Processing Agreement. Can you just provide some more details because I remember there's an existing agreement until 2033. What's the difference and what exactly is this new agreement?

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director
So the shipper booked the capacity until 2033. But there's a 5-years interval where they will review the tariff, the return and what not, and agree for a four or five years period. Five years period. So the current five years period will expire end of December. So what we have concluded is for the next five years.

Anshool Singhi, JP Morgan Chase & Co. – Analyst
I understand. Can you share in terms of, I'm guessing this is the volume, has there been any meaningful changes in that?

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director
It is a capacity reservation concept. I think similar to the gas transmission and regasification where the shipper will book the capacity and the return, I can say, that is provided to us is based on industry benchmark that we have negotiated and agreed with, ya?

Anshool Singhi, JP Morgan Chase & Co. – Analyst
So can I assume there has been no change in the capacity booked between this five-year period which is going to complete in December and the new five-year period which is going to start in January?

Nov 20, 2023 / 4.00 PM (GMT +8), Q2 2023 PETRONAS Gas Bhd Earnings Call

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

The capacity booked remain the same. Of course, the return and what not is negotiated. The same performance incentives are in that. So structure-wise the same but of course, as always, the details of return that is a subject of negotiation every term that we discuss.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

I understand. My last question is with regards to the gas cost in Q4. What's the MRP for Q4?

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

41.5. In ringgit, Anshool?

Anshool Singhi, JP Morgan Chase & Co. – Analyst

Yes, ringgit. So this is lower compared to Q3 and are you saying that the opex, overall opex, is going to remain the same between Q4 and Q3. So slightly higher maintenance activity in Q4 as well? Is that fair to assume?

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

Normally, yes. Normally we spend more in Q4, so it kind of slightly higher, but the gas cost was slightly lower. So that's why almost remain the same.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

I understand. I think I'll get back in the queue. Thank you.

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

Thank you.

Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR

Thank you, Anshool. Next we have in the queue is Max.

Max Koh, Macquarie Capital Securities – Analyst

Hello, can you hear me?

Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR

Yes.

Max Koh, Macquarie Capital Securities – Analyst

Okay, great. Thanks, thanks for the call. I just want to, I just have one question. Can I ask when can we expect for the GPA terms to be announced and also what sort of increase that we can expect in the next term?

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

I think give us time. Similar to the GT, the RP, we will arrange for a briefing session. Hopefully very soon, Max. We still have until year end to sign the agreement. Because it's only expiring at the year end. As mentioned everything is aligned. Of course, I have to go through the motion of getting the necessary approvals in place. That's all we have right now.

Nov 20, 2023 / 4.00 PM (GMT +8), Q2 2023 PETRONAS Gas Bhd Earnings Call

Max Koh, Macquarie Capital Securities – Analyst

Okay, great. Thanks. Looking forward to that. That's all from me. Thank you.

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

Thank you, Max.

Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR

I think I'll take the question in the chat box first. One is from Sean Lim.

Sean Lim, RHB Investment Bank – Analyst

Any key difference between the third term GPA and the current one?

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

Let's wait for that. Once we sign the whole thing, we'll share in next year's AB which will cover Q4 and the full year after our Board in February.

Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR

Second question from Sean.

Sean Lim, RHB Investment Bank – Analyst

What is the total capex for LNG storage expansion project and when is the targeted completion?

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

We expect to complete this some time second half next year. Capex excess of RM100 million, just over 100 million.

Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR

And third question from Sean.

Sean Lim, RHB Investment Bank – Analyst

What is the targeted capex allocated for greening your portfolio?

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

As I mentioned, it is still at feasibility stage. So we are still assessing the capex versus the return and what not. So I can't, I don't have the specific number at the moment.

Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR

That's all from Sean. I think another question from Max. Sorry, from Daniel. Daniel, do you want to? Hi, Daniel.

Daniel Wong, Hong Leong Research – Analyst

Hello. Can you hear me? Actually I typed the question in the chat box. Never mind. I'll just repeat the question here. So the 150MW solar, is it a land based solar or rooftop solar?

Then secondly, does Pgas need to go through Tenaga or Energy Commission for this solar project? Or just to enter into commercial terms with the commercial or industrial offtaker?

Nov 20, 2023 / 4.00 PM (GMT +8), Q2 2023 PETRONAS Gas Bhd Earnings Call

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

Ok, it will be land-based because we mentioned we have land in Kertih we intend to optimise. You see, under our Utilities segment, we actually have a licensed area that we can supply electricity to. So what, we have started discussion with ST just to supply for our licensed area which we think shouldn't, shouldn't go through TNB. That's the plan.

Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR

Ok, Daniel? Are there any more questions? Ok, one more question from Anshool.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

Hi, thank you. I have a follow up question regarding the capex. Can you share your capex spend till nine months 2023 also capex guidance for 2024 and can you split it between maintenance and the other capex?

Shahrul Azham Bin Sukaiman, PETRONAS Gas Berhad – CFO

For capex, as at YTD 9M we have spent close to RM800 million and we think for the full year it will be somewhere to the level that we did last year, comparable to last year.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

That's around RM1.1, 1.2 billion?

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

Yes. That's the one that you spend every year on operational capex. So we expect to be almost the same.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

And for next year?

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

Operational we expect to be on the same magnitude, ya?

Anshool Singhi, JP Morgan Chase & Co. – Analyst

Understand.

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

Growth of course will depend on whether we sanction projects. And as you're aware, Shahrul has mentioned that we have sanctioned this storage project and also we are about to finalise, sanction the ASU based on the cold energy. So probably you expect to see a higher growth capex for next year.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

I understand. So how should we be looking at the dividend for next year? Are you going to focus more on these growth projects which you mentioned are renewables, or renewables and other green projects? Or are you still going to prioritise return to shareholders?

Nov 20, 2023 / 4.00 PM (GMT +8), Q2 2023 PETRONAS Gas Bhd Earnings Call

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

You know we don't give forecast, but as you know, I need to balance between dividend and growth. And we are quite focused on looking for growth opportunity so that we can give more dividend in the future. So as of this moment we are working on quite a few growth opportunities so that, as always, you try to balance between dividend and growth, ya.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

You mentioned the focus on growth opportunities. Is it ok to assume that most of the opportunities that you're looking for are domestically, within your existing area, similar that you mentioned for solar within the licensed area? Or are you looking to explore outside Malaysia?

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

At this moment mostly domestic. As I mentioned, I think some time last year we are focusing on an area where we are, we do have competencies and those opportunities and within those area that we are good in.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

Yes, I understand. I think I'm good for now. Thank you.

Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR

We have one last question from Daniel again.

Daniel Wong, Hong Leong Research – Analyst

Can we expect a special dividend for this year?

Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

We don't give forecast. So whatever numbers let's wait for the Q4 analyst briefing, Daniel.

Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR

Ok, I think I'll just give one last chance, anymore questions?

Alright. I think that's all the time we have for today. With this we conclude the analyst briefing conference call. Thank you for your participation and we will see you next quarter.