

November 27, 2024 / 5.00 PM (GMT +8), Q3 2024 PETRONAS Gas Bhd Earnings

PETRONAS Gas Berhad

Q3 2024 Analyst Briefing



November 27, 2024 / 5.00 PM (GMT +8), Q2 2024 PETRONAS Gas Bhd Earnings Call

Corporate Participants

Abdul Aziz bin Othman, PETRONAS Gas Berhad - MD, CEO & Director
Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer
W Khairul Nizam B W Kassim, PETRONAS Gas Berhad – Head Business Development & Commercial
Suriyanti binti Nordin - Head of IR

PRESENTATION

Suriyanti Nordin, PETRONAS Gas Berhad - Head of IR

Assalamualaikum and good day everyone. Thank you for joining today's session.

Welcome to PETRONAS Gas Berhad's Analyst Briefing for quarter ended 30th September 2024. We are organizing this session through the Microsoft Teams platform. My name is Suri, Head of Investor Relations, PETRONAS Gas Berhad, and together with me we have Encik Abdul Aziz Othman, Managing Director and CEO; Encik Shahrul Azham Sukaiman, Chief Financial Officer; and Encik W Khairul Nizam, Head of Business Development and Commercial.

PETRONAS Gas Berhad's Analyst Briefing for Quarter Ended 30th September 2024 is divided into four segments, firstly, En. Aziz will present the Key Highlights for PETRONAS Gas Berhad for the third Quarter; secondly, the Business Updates and Financial Performance will be shared by En. Shahrul Azham; next, En. Aziz will return to share PGB's focus Moving Forward; and finally, we will open the session for Q&A.

All participants are reminded to obey the session's rule where everyone should be on mute throughout the presentation. The presentation was also shared with you prior to the session through this Microsoft Teams Channel for your reference.

You are allowed to ask questions during Q&A. Please be reminded to press the "raise hand" button and we will open the microphone for the selected participant. You may also post your questions in the chat box, and we will select any question to be answered.

For reference, our financial results are now available at both Bursa Malaysia and PGB websites.

To start off the first segment, I call upon Encik Aziz to share the key highlights. Encik Aziz ...

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

Thank you, Suri.

Assalamualaikum and good day everyone. Thank you for joining us.

I am pleased to share with you PETRONAS Gas Berhad's Q3 2024 performance results this evening.

I'd like to start with factors affecting PGB's business operating environment in the past quarter as continuing from the 2nd quarter of 2024, the cost of doing business stood elevated in the third quarter.

For the third quarter, the Ringgit strengthened to an average RM4.46 against the US Dollar, with the strongest being RM4.12 on 30 Sept which had some positive impact to PGB's remaining dollar commitments. However, it is important to note that such fluctuations are relatively uncommon and not necessarily indicative of a longer-term trend.

In reference to that, the average Malaysia Reference Price (MRP) in Q3 was at RM42.44/MMBtu. Based on the lagging factor, MRP will potentially decrease in Q4 2024 which average of RM42.13/MMBtu slightly lower than Q3 and will continue to track the Brent price trend.

We would also like to bring your attention to the Services Producer Price Index (SPPI) which also increased to 115.8 points in the third quarter which indicates the cost of doing business remain high. The slight uptick in the Professional Services sector may have some impact on our operating and project costs.

And the cost of energy in Peninsular Malaysia continues to be significant, as reflected by the ICPT surcharge (overseen by Suruhanjaya Tenaga) set at 16 sen/kWh effective from July 1, 2024, until the end of December 2024. The government's periodic adjustment of ICPT does impact on our financial performance particularly for the Utilities segment's earnings – both revenue and profit margin.

In light of the current operating environment, we anticipate that business costs will remain elevated throughout the year. PGB will closely monitor these conditions and take necessary measures to mitigate their impact.

Considering those factors, I am pleased to announce that our company maintained a strong performance in Q3 and the first nine months of 2024, sustaining a reliable dividend for our shareholders.

Similar to previous quarters, our success in delivering strong numbers anchored on our consistent operational excellence, nearing 100% across all business segments, as well as progresses made in our project execution.

On financial performance, PGB Group revenue stood at RM4,923 million, a slight increase of 1.2% or RM60 million mainly contributed by higher revenue from Gas Processing following higher reservation charges income under the new term. This was offset by lower revenue from the Utilities segment in line with lower product prices. Nonetheless, Gross profit grew marginally by 0.8% or RM15 million to RM1,795 million due to higher operating costs, mainly from the higher level of maintenance activities in Gas Processing and Gas

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Transportation segments, coupled with inflationary impact. This was cushioned by lower fuel gas cost and internal gas consumption expenses in tandem with lower fuel gas price.

Profit for the period rose by 4.8% or RM69 million mainly driven by reduction in financing costs following early settlement of USD lease liabilities for floating storage units at LNG regasification terminal in Sg Udang, Melaka in the corresponding period, along with favourable foreign exchange movement following the momentary strengthening of MYR on USD lease liabilities for jetty usage at LNG regasification terminal in Pengerang, Johor.

Similarly, EBITDA was correspondingly higher by 5.1% (RM126.5 million) at RM2,608 million. EPS increased by 3.0%, reflecting higher profit attributable to shareholders of the company. Dividend per share for the quarter was approved at 18 sen similar to the corresponding period last year. This demonstrates the Group's commitment to ensure a sustained level of returns to the shareholders. We have delivered strong financial performance at the same time as we also making significant progress in our business for this quarter. We have received an Initial Letter of Notification in Aug-24. The project is progressing as with the recent ground-breaking ceremony on the 12th of November. The RM700mil project is expected to start commercial operations by March 2026. For the Power Plant in Labuan, we have received an Initial Letter of Notification (ILON) in July 2024, to develop a 120MW Power Plant. We have also reaped maximum 3rd term GPA incentives despite more stringent operating requirements.

Now, we come to the details of our business and financial performance. This section will be presented by Shahrul. Over to you, Shahrul...

Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer

Thank you, En. Aziz. Good evening, everyone. I shall take you through the business and financial performance for Q3 2024.

Operational Excellence is crucial to our business, ensuring safety and reliability across four segments. We prioritize low operational risk and infrastructure reliability to support stable revenue.

During this period, our Gas Processing segment utilized digital tools at the GPU tech Centre improving plant efficiencies. This led to our plants achieving nearly 100% OEE, demonstrating world-class performance. Although our Performance-Based Structure (PBS) incentives were stretched under narrower operating parameters in the third GPA term, we were still able to achieve maximum incentives.

For segmental financial performance, against the preceding quarter, Q2, 2024. Segment result was lower by 4.6% (at RM199 million) due to lower revenue from IGC incentive, coupled with higher operating cost due to higher level of maintenance activities and depreciation. Against the corresponding quarter, Q3 2023. Segment results increased by 2.0% (or RM3.9 million) in line with revenue, partially offset by higher operating expenses from higher level of maintenance activities. Against the corresponding period, 9M 2023. Segment results decreased by 1.1% (or RM6.9 million) due to higher level of maintenance activities, coupled with inflationary impact.

For Gas Transportation business performance, the Group's pipeline network achieved close to 100% reliability, similar to the corresponding periods. During the quarter, gas transportation achieved initial acceptance (IA) for the gas pipeline replacement project in Kertih which was completed in Q4 2023.

For segmental financial performance, against the preceding quarter, Q2, 2024. Segment results were at RM152 million, lower than in the preceding quarter Q2 2024 on the back of higher operating expenses, mainly from higher level of maintenance activities performed during the quarter. Against the corresponding quarter, Q3 2023. Segment results increased by 2.8% (or RM4.1 million) following higher revenue negated by higher operating expenses mainly from a higher level of maintenance activities and depreciation during the quarter. Against the corresponding period, 9M 2023. Segment results grew by 8.0% (or RM34.7 million) in line with higher revenue and lower internal gas consumption expenses, partially offset by higher maintenance and depreciation expenses following higher number of project completion during the period.

Moving on for Regasification business performance, our Group's LNG regasification terminals in Sg. Udang, Melaka and Pengerang, Johor sustained their strong reliability performance close to 100%.

For segmental financial performance, against the preceding quarter, Q2 2024. The segment result was at RM158 million, which is comparable against result in the previous quarter. Against the corresponding quarter, Q3 2023. Segment results was marginally lower by 1.8% due to higher operating expenses mainly from higher level of maintenance activities performed. Against the corresponding period, 9M 2023. Similarly, segment results against the corresponding 9M period were lower by 3.1% due to higher operating expenses mainly from depreciation, maintenance activities and floating storage units operating leases.

The Gas Processing, Gas Transportation and Regasification contribute 87% to our bottom line while the following is contributed by the utilities segment.

For the Utilities segment, throughout the period, Utilities plants achieved 100% Product Delivery Reliability for electricity while close to 100% for steam and industrial gases. For Electricity YTD 2024 volume was higher than the same period last year due to higher power offtakes from customers and higher TNB exports recorded for the period due to the favorable System Marginal Prices (SMP). For Steam, customer offtake in YTD 2024 is comparable with the same period last year. For Industrial Gases, higher product sales volume in YTD 2024 are due to higher consumption from customers and following higher customer demand.

For segmental financial performance, against the preceding quarter, Q2, 2024. Segment results improved by 16.5% (or RM12.3 million) to RM86.9 million following higher revenue, coupled with lower utilities cost and maintenance activities. Against the corresponding quarter, Q3 2023. Segment results increased by 13.4% (or RM10.3 million) in tandem with improved revenue following higher customers' offtake, partially offset by higher depreciation and fuel gas cost. Against the corresponding period, 9M 2023. Segment results marginally rose by 0.9% (or RM2.1 million) on the back of favorable impact of lower fuel gas cost following downward movement of average Malaysia Reference Price ("MRP"), partially offset by higher depreciation.

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Let's now move on to PGB Group's financial performance. As explained earlier, the Group sustained its commendable performance across all of its plants and facilities.

Against the preceding quarter, Q2 2024. Group revenue slightly increased by 0.5% compared to the preceding quarter mainly contributed by Regasification and Gas Transportation segments. Despite higher revenue, gross profit was comparable to the preceding quarter following a higher level of maintenance activities performed. However, profit for the quarter increased by 10.2% (or RM50.3 million) mainly contributed by the favourable foreign exchange movement following the strengthening of MYR on USD lease liabilities for jetty usage at LNG regasification terminal in Pengerang, Johor coupled with higher share of profit from joint venture companies.

Against the corresponding quarter, Q3 2023. Group revenue increased by 6.8 % (or RM105.6 million) mainly contributed by Utilities segment with higher customers' offtake, higher Gas Processing revenue following higher reservation charges income under the new term and higher revenue for Gas Transportation following tariff adjustment.

Nonetheless, Gross profit increased marginally by 2.6% (or RM15.4 million) as the higher operating expenses on the back of higher fuel gas cost from Utilities segment, coupled with inflationary impact for other cost element especially for our maintenance activities. Profit for the quarter was correspondingly higher by 10.2% (or RM50 million) at RM541.2 million.

Comparing against corresponding year to date. Group revenue increased by 1.2 %, mainly contributed by higher revenue from Gas Processing following higher reservation charges income under the new term. This was offset by lower revenue from the Utilities segment in line with lower product prices. Gross profit marginally increased by 0.8% (or RM14.9 million) due to higher operating costs, mainly from higher level of maintenance activities in Gas Processing and Gas Transportation segments, coupled with inflationary impact. This was partly cushioned by lower fuel gas cost and internal gas consumption expenses in tandem with lower fuel gas price. Profit for the period rose by 4.8% (or RM69.0 million) at RM1,504 million mainly driven by reduction in financing costs following early settlement of USD lease liabilities for floating storage units at LNG regasification terminal in Sg Udang, Melaka in corresponding period, along with favourable foreign exchange movement following the momentary strengthening of MYR on USD lease liabilities for jetty usage at LNG regasification terminal in Pengerang, Johor.

Moving on to Balance Sheet, as of 30 September 2024, the Group's total assets was at RM18.5 billion, lower by 4.1% or RM788.4 million mainly due to the repayment of Islamic financing facility made in March 2024 amounting to RM1.2 billion but this was partly cushioned by cash generated from operations during the period.

Correspondingly, total liabilities decreased by 20.9% or RM1,152.7 million as a result of the repayment of Islamic financing facility. Even though there was a reduction in cash and cash equivalents to RM2.7 billion during the period, the cash balances remain healthy, with some head room for existing and upcoming growth projects.

As for the dividend...The Board has approved the third interim dividend of 18 per share, payable on 24 December 2024. The interim dividend demonstrates our commitment to ensure a sustained level of returns to the shareholders, despite the business operating conditions. We are still able to provide a healthy level payout, more than the committed dividend policy. That is all from me. I will now pass the line over to Encik Aziz to share on

company outlook.

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

Thank you Shahrul.

Ladies and gentlemen, our results demonstrate PGB's continued delivery of operational excellence. Insyah-Allah, we are poised to continue the strong performance throughout the remainder of 2024. Our focus remains steadfast along the four lenses of our Sustainability Blueprint.

Along the Sustainable Value Creation lens, we remain committed to ensure safe, reliable and efficient world class operations to sustain our profit and value to shareholders. While we endeavor to ensure flawless project delivery in terms of safe and timely execution within budget and quality, we have made strides in our growth and value creation pursuits, where as mentioned very recently we had the 15th anniversary celebration of our Kimanis Power Plant as well as the groundbreaking ceremony for the second 100MW power plant in Kimanis, Sabah.

This new 100MW is a collaboration between PGB through our subsidiary PG Energia Sdn Bhd and NRG Consortium (Sabah) Sdn Bhd, a subsidiary of Yayasan Sabah Group. As mentioned by Sabah's Chief Minister, Datuk Seri Hajiji Noor, the RM700 million KPSB2 power plant is expected to achieve commercial operations by March 2026. That is the first power plant in Kimanis, Sabah and we also working on the second power plant which is the power plant in Patau-Patau, Labuan, as mentioned the initial letter of notification which is part of the process through ward the letter of notification (ILON) to facilitate the negotiation on the PPA is there for us and we are moving forward with our potential partners to the next step of on development for this power plant.

In the lens of Safeguarding the Environment we have managed to limit our GHG emissions within expectations to achieve our NZCE2050 targets as we have shown in our sustainability blueprint and through our carbon abatement strategies and energy efficient operations. As mentioned in the previous analyst briefing, we have to date surpassed our 4R deliverables. Most of the recovery for the waste has been done in the 1st half of the year during scheduled maintenance activities.

Through the Positive Social Impact lens, we contribute actively to our operational areas, particularly focusing on education, community well-being, and the environment. Aligning to that, we have recently launched our flagship program, a collaboration with Yayasan Hijau Malaysia which involves installing solar panels in selected areas in Malacca as a first step to enhance community wellbeing, promote solar energy use, and reduce greenhouse gas emissions.

On Responsible Governance lens, we are pleased to announce that PGB won the Gold Award for Utilities at The Edge ESG Awards in October. We secured the highest ratings among peers by ensuring maximum disclosure and meeting sustainability requirements. Our dedication to responsible business practices and effective data use has positioned us as leaders in sustainability within our industry. Moving forward, our focus will be on completion of growth projects and sustain operational excellence. Among the projects to look forward to are the completion of LNG Storage in Pengerang by mid next year, the Kluang Compressor station project, expected to complete by end of this year, and the Jeram

Compressor Station, expected to be complete by end of 2026.

While these projects are on track, we are looking at other growth prospects, and the recent announcement on Budget 2025 presents several opportunities for PGB. The government announced the introduction of Carbon Tax in 2026, alongside tax incentives for companies that are developing CCUS technology to reduce GHG emissions. This promotes a strong incentive for PGB to explore the viability as well as feasibility of CCUS which would give us significant value and growth opportunities in the future.

Additionally, we foresee ample opportunity in the domestic energy landscape particularly in gas demand driven prospects. The retirement of coal plants coupled with growing energy demands of data centers, will increase reliance on natural gas as a cleaner, more reliable energy source. The planned retirements of coal plants by TNB will phase out of 7 Gigawatts of power capacity by 2033, and we anticipate a 30% surge in gas demand to fill in the energy gap and maintain grid reliability. On top of this, the rapid growth of data centers in the country, which are highly energy intensive, is projected to further amplify gas demand to an estimated 70% surge. This presents a substantial opportunity for capacity expansion of our pipelines and regasification infrastructures and potential development of new regasification terminals. Leveraging our capability and experience with the Kimanis Power Plant we are also in a strategic position to explore the viability of developing gas-based combine cycle power plants to address the increase on the demand of the power sector in Peninsular Malaysia.

While the current demand from data centers is for electrical power, there is also potential of an integrated energy solution by utilizing cold energy from our regasification terminals to provide sustainable cooling solutions for data centers. This approach not only maximizes the use of our own existing infrastructure but also aligns with efforts to reduce reliance on traditional electricity-driven cooling methods. By capitalizing on these larger national developments, PGB can solidify its role in enabling a cleaner and more sustainable energy future, catalyzing the Government's energy transition efforts and achieving NETR aspirations.

Thank you, and over to you, Suri...

Suriyanti binti Nordin - Head of IR

Thank you, En. Aziz and En. Shahrul.

We have now come to the Q & A session. Please be reminded to continue to obey the session rule where everyone should be 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.

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QUESTIONS AND ANSWERS

Suriyanti binti Nordin - Head of IR

The first question comes from Daniel.

Daniel Wong Ka Kah, Hong Leong Investment Bank – Research Analyst

Good evening, everyone. Thank you for the briefing. My first question is on the overall group activities for the fourth quarter. Are we expecting continued higher maintenance costs or depreciation in the upcoming fourth quarter for all the segments?

This is because I noticed that through your presentation slides, you have been continually highlighting higher depreciation and higher maintenance activities over the last three quarters for all the segment.

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

OK, as far as maintenance is concerned, yes, we expect the number to be higher. Particularly as you know, at the beginning of the year, it was planning time. Now as you move deeper into the year, is the execution and we always pick up the pace towards the later part of the year. So, we expect to see higher maintenance activity as well as spending in the fourth quarter.

Depreciation because we've been spending on those maintenance as well as on growth project. So, you would expect we will capitalize on a bigger number then you will see a higher depreciation accordingly.

Suriyanti binti Nordin - Head of IR

Thank you, Daniel. We have a question in the chat box from Ong Tze Hern (APEX):

Good evening, Hern here from Apex. Can I know how much is the PBS for gas processing in the latest quarter? did you get the full amount?

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

Thank you, Ong. I will let Shahrul answer the question.

Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer

Thank you for the question, up until September 2024, we were to above to maximize the PBS incentive. I think for YTD we have collected about 17 million for the PBS and if continue we can actually collect the maximize throughout the year.

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

The PBS is dependent on the operational performance. So, you see from the operation performance we have sustained world class operation. We expect to sustain and realize that amount accordingly, but as I mentioned, it depends on the sustain of that operational excellent.

Suriyanti binti Nordin - Head of IR

The follow up question on that:

Just to confirm, the maximum PBS is RM120million per year, right?

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

Hold on, will get back Ong.

Suriyanti binti Nordin - Head of IR

Ok. We'll go back to the queue here Daniel again, is a second question?

Daniel Wong Ka Kah, Hong Leong Investment Bank – Research Analyst

Yes, second question, if you get to the RAB for this transportation and regasification plant. So, is the year-to-date volume in line with the assumed volume or is it lower or higher? because in your RAB you have assume a certain volume and that's how you get the rate of the rate of the tariff for transportation and Regas. So, the question is, until YTD is the volume intact in line with the assumption or is lower or higher than the assumption?

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

I don't have the exact number, but I think it's about there in the budget. Just to provide you with better clarity. The business of regasification is on capacity payment. So, the shipper has booked the full payment irrespective of utilization. If we make the capacity available. We will collect full revenue, full capacity, reservation payment so.

how much the flow of the gas is not going to impact the two-regasification financial significantly. Is that, Ok Daniel?

Daniel Wong Ka Kah, Hong Leong Investment Bank – Research Analyst

The last part of the business is dependent on the capacity payment. So, the rate that provided by the Rab by the Energy Commission on the rate. It doesn't really affect much in terms of your overall revenue, is it?

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

Yes, as I mentioned, as long how much the gas flow depends on the shipper's nomination. So, if the shipper nominates the full capacity, if we make the capacity available, then we collect the reservation. If the shipper nominates 50%, we can deliver that 50% and we still collect the full capacity reservation.

Daniel Wong Ka Kah, Hong Leong Investment Bank – Research Analyst

I see. Ok, so what is the role of this EC in determining the regasification tariff.

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

I think we have given this briefing at the beginning of RP2 roughly the RAB which is the opening value of the assets plus the CAPEX that we're going to invest on that asset at the maintenance or growth. Typically, OPEX are passed through and then whatever the amount will be divided by the capacity reservation, and you get the tariff.

Suriyanti binti Nordin - Head of IR

Thank you, Daniel.

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Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer

To answer the question on the maximum PBS. Just now YTD we have at least about 70 million of the PBS incentive. And for the full year the maximum PBS incentive is slightly lower than 100 million.

Suriyanti binti Nordin - Head of IR

This answer to Ong's question just now. Next in line is Anshool.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

Hi, good evening. I just have a couple of questions. To start with, the performance for the utilities segment, I believe given the lower ICPT surcharge for this quarter, we would assume that we could have seen utilities contribution declining, but that did not happen. If you could elaborate on what are the key drivers for better utility business performance.

Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer

For the utilities segment performance despite the lower ICPT I think the corresponding and YTD will be better mainly because of two things which are the higher volume offtake by customer because we show lower unplanned shutdown on the customer side during this period mainly because the slightly lower MRP the gas price compares with the corresponding period. Those two items show the impact of lower ICPT.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

Was there any volume sold under the NEDA scheme again?

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

Yes, there are.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

I believe around 20 megawatts is eligible. Did you reach that threshold?

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

We have a threshold of 30. We have two sites, but I think we did not reach 30 for each site because we only inject into the grid if the system marginal price is higher than our unit cost. We did inject, but not up to that capacity that I mentioned.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

Yeah. Just trying to get an understanding of the better associate performance this quarter.

Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer

I think on Q-o-Q performance, the better contribution from associate is coming from our Kimanis Power because of the unreliability and also reliance for exchange as they have this long-term cash flow hedge and begins from that hedging because it was hedge as part of SUKUK requirement for the Kimanis Power when they started the operation back in 2014. Mainly coming from Kimanis power, Anshool.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

Understood. My last question is in your slide regarding the potential opportunities for PGB given the surge in data centers in Malaysia. If you could provide further analysis of what

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could be? If what you mentioned in the slide by 2033 there could be additional 70% percent gas demand, what could be the regasification requirement corresponding to that increase in gas demand. What is it compared to the capacity we have right now?

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

We're looking at almost all gas demand mainly for power sector, probably as high as 50% to 70% higher. So, if you look at that you probably require a new regasification terminal of similar size to each of the units that we have, or slightly bigger than that depending on that 50 to 70% demand on the gas by the power sector.

Anshool Singhi, JP Morgan Chase & Co. – Analyst

Understood, Thank you.

Suriyanti binti Nordin - Head of IR

Thank you Anshool, the next question is Dharmini.

Dharmini, CSG. – Analyst

Thanks, Suri. One of my questions was already answered.

Maybe I'll just move on to the other one. On your growth projects, which are already in the pipeline, two power plants in Sabah as well as Labuan. For the Sabah facility, can I just reconfirm that you mentioned that CAPEX is 700 million?

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

Yes.

Dharmini, CSG. – Analyst

Ok. And what are the expected project IRR (Initial Rate of Return) for this or perhaps the PPA tariff that has been agreed?

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

As you know, we cannot inform you of the exact IRR. But what I can tell is within the industry benchmark for a typical IPP in Malaysia and as you know, IPP is based on capacity payment also with fuel gas normally on pass through basis. So, you can expect on that return on that Capex, and you can calculate what will be the return accordingly.

Dharmini, CSG. – Analyst

Ok, fair enough, noted. Second question is on the Labuan planned facility 120 megawatts. What's the timeline like for perhaps finalizing this project and what is the expected capex? Thank you everyone.

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

OK, as I mentioned the step is ILON and then loan, we hope to get the loan before year end. With the loan, we should be able to appoint a contractor to work towards the finalization of PPA. Sometime in quarter one next year and CAPEX because it's not a brownfield like Kimanis. It is a green field, so we expect to be slightly under 1 billion total CAPEX.

Dharmini, CSG. – Analyst

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Thank you very much. Just a final question for these two plants, would you be owning 100%?

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

No, I think similar arrangement that we have had in Sabah 60:40, the partner will be Sabah GLC.

Dharmini, CSG. – Analyst

Ok, great. Thank you so much.

Suriyanti binti Nordin - Head of IR

Thank you, Dharmini. Next in line is Max.

Max Koh, Macquarie Group- Analyst

Hi, thanks for this call. Maybe just a question on, I noticed that you may have interest in NCRS kind of take up a bit in third quarter. Can I just check if there are any reasons for this or the amendments?

Suriyanti binti Nordin - Head of IR

Are there any more questions, Max? We'll just get back to you on that one.

Max Koh, Macquarie Group- Analyst

Ok, the other one is that of course, I think you mentioned the third quarter. You've heard that basically you benefited from a stronger ringgit now that we have seen, I think Ringgit start weakening in the fourth quarter as well. Do you expect an impact reversal impact in the in the fourth quarter as well?

Yeah, I think these are just my two questions. Thanks.

Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer

Ok. On FOREX, I think you are right because what we saw exactly on the final day of the third quarter, which is 30 September was a momentary strengthening of Ringgit.

So, we anticipate some of the unrealized gains will be reversed depending on where we end the year on 31st December later.

Max Koh, Macquarie Group- Analyst

Ok, thank you.

Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer

Ok maybe I can answer the first question on the minority interest is related to second question because on that momentary strengthening of Ringgit. One of the subsidiaries we have overlap of minority interest is RGT Pengerang, actually gain on the momentary strengthening of Ringgit. That's why we saw higher YTD 9 months compared to the same period last year.

Suriyanti binti Nordin - Head of IR

I'm going to the questions in the chat.

From Ong Tze Heng, I was Just wondering for the gas transportation segment, "supply of high-pressure gas to Singapore" has a tariff of RM1.701/GJ/day. Can i know how much is the volume of gas supplied to Singapore? Is there any capacity reservation for this and is the supply to Singapore under regulated business? Does the gas transportation segment also have capacity reservation regardless of volume delivered?

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

Thank you for the question whether gas transportation segment has capacity reservation regardless of volume delivered.

Yes, similar regasification that I have explained just now.

The supply to Singapore is using the pipeline and the price that we sell to Singapore has included the tariff of the pipeline, including tariff C, because they actually require the gas at higher pressure. Similar to other capacity that we have, tariff C come with a certain capacity and that capacity has been fully reserved by the existing shipper.

Suriyanti binti Nordin - Head of IR

Ok, next question is from Sean Lim:

What is the CAPEX guidance for next year and is it still a 60:40 ratio between non-regulated and regulated capex?

Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer

Ok, CAPEX guidance for next year. I think as we are finalizing some of the group projects as mentioned by En Aziz earlier, we are anticipating slightly higher capex for next year subject to the progress completion of the growth projects in terms of the split between regulated and non-regulated. As we anticipate higher spending on the group effects, you are anticipating a higher portion of non-regulated CAPEX for next year. In the higher contribution on non-regulated compared with regulated for next year.

Suriyanti binti Nordin - Head of IR

Thank you, Sean. Another follows up question on the power plants in Sabah.

How do you plan to finance the Sabah power plant projects?

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

We will be going for project financing. We don't know yet what will be the DE on this, but we believe we should be able to get similar to other IPP when it comes to project financing for an IPP projects.

Suriyanti binti Nordin - Head of IR

Ok, next one will be Chi Wei

Chi Wei, Maybank - Analys

Thanks Suri, just one question from me. Essentially, En Aziz mentioned just now about exploring new power plants in Peninsula Malaysia.

How advanced are these plans? And I suppose is that size that you're looking at and do you already have a site in mind? Thanks.

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

Thank you for the question. Our plan is to be secured. I believe the site will be similar to the typical power plant in Peninsula. As you would know an IPP in Peninsula typically will be size 1,002 to 1,004, that will be the size for a typical IPP in Peninsula Malaysia.

The government intends to work on an open bidding basis on a new power plant. So we are positioning for that. We are looking at several sites, but it depends on how successful we are when it comes to bidding for those new power plant.

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Chi Wei, Maybank - Analys

I see, got it. Thanks.

Suriyanti binti Nordin - Head of IR

Thank you. And I think that would be our last question for the day.

On behalf of PGB, we thank all of you for your questions and active participation.

We look forward to meeting all of you again at the next analyst briefing in Q4.

Thank you everyone.

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