Petronas (PET MK)

FUNDAMENTAL VIEW [1]

As of 07 Apr 2025

- Petronas' FY24 credit metrics remained resilient even as EBITDA fell as we had expected.
- Despite the lower YoY outlook for O&G price realizations in FY25, we expect Petronas' credit profile to remain resilient in FY25 and maintain its net cash position, aided by resilient domestic demand and still-positive FCFs.
- We take comfort in Petronas' strong support from the Government of Malaysia, given it is strategically vested with Malaysia's entire oil & gas resources and provides a substantial source of government income.
- Sizable O&G and renewable capex and high dividend payouts could restrain improvements in Petronas' credit metrics and free cash flows.

RISKS & CATALYSTS

As of 07 Apr 2025

- Broad growth slowdown concerns could hamper sales of Petronas' Downstream (petroleum products) and Gas & New Energy (LNG and natural gas) segments.
- Prolonged periods of low crude oil prices could harm upstream O&G EBITDA (which typically contributes 50%-70% of total profit after tax), albeit mitigated partly by stronger downstream O&G EBITDA.
- Sizable capex on domestic O&G and renewable energy ventures could restrain improvements in Petronas' credit metrics and free cash flows.
- Petronas is regularly required to pay dividends to the Government of Malaysia, which may weigh on its cash flows.
- We remain watchful of how the dispute between Petronas and Sarawak state government unfolds, its impact on Petronas' financials and its market position in the Malaysian O&G sector.

KEY METRICS

As of 07 Apr 2025

MYR MN	FY20	FY21	FY22	FY23	FY24
Debt to Book Cap	18.8%	21.1%	18.4%	18.2%	18.0%
Net Debt to Book Cap	n/m	n/m	n/m	n/m	n/m
Debt/Total Equity	23.2%	26.7%	22.6%	22.2%	21.9%
Debt/Total Assets	15.4%	17.0%	14.7%	14.4%	14.5%
Gross Leverage	1.4x	1.1x	0.6x	0.8x	0.9x
Net Leverage	n/m	n/m	n/m	n/m	n/m
Interest Coverage	15.0x	20.9x	33.9x	24.9x	21.8x
EBITDA Margin	34.7%	45.2%	50.7%	44.8%	42.0%

Petronas continues to be in a net cash position.

BUSINESS DESCRIPTION

As of 07 Apr 2025

- Petronas is an integrated oil and gas company, wholly owned and controlled by the Government of Malaysia.
- Its activities span the entire up/mid/downstream value chain both domestically and internationally. Key products and services provided include the sale and marketing of petroleum products, crude oil and condensates, LNG, natural and processed gas, petrochemicals, shipping services, property development and automotive engineering.
- Petronas carries out its exploration, development and production activities via production sharing contracts ("PSCs"), mostly with international O&G companies and Petronas' wholly-owned subsidiaries.
- Its Downstream segment is aimed at refining, supplying, trading, manufacturing and marketing of crude oil, petroleum products, and petrochemical products. Its key projects and factories include Pengerang Integrated Complex (PIC), Sabah Ammonia Urea in Sabah, and Integrated Aroma Ingredients Complex in Gebeng, Kuantan.
- Its Gas and New Energy division was set up in FY19 and groups all of Petronas' LNG, gas and renewable revenues into a single segment. Activities within this division include production of LNG, processing and transportation of gas and solar power production.
- Its 6 listed subsidiaries include MISC Berhad (57.56%), KLCC Property (75.46%), Petronas Chemicals Group Berhad (64.35%), Petronas Gas Berhad (51%), Petronas Dagangan Berhad (63.94%), and Bintulu Port Holdings Berhad (28.52%).

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