



AmInvestment Bank

Company report

AmInvestment Bank
Team Coverage
03-2036 2301

BINTULU PORT

(BPH MK EQUITY, BPOT.KL)

11 Oct 2022

Gas pipeline leak not a major concern

BUY

Price: RM5.00
Fair Value: RM6.05

Rationale for report: Company update

| YE to Dec | FY21 | FY22F | FY23F | FY24F |
|-------------------|------|-------|-------|-------|
| FD Core EPS (sen) | 21.4 | 25.0 | 27.2 | 29.5 |
| PE (x) | 23.3 | 20.0 | 18.4 | 17.0 |

Source: AmInvestment Bank Bhd

- On 5 Oct 2022, Petronas declared a force majeure on LNG supplies to its customers due to a pipeline leak caused by soil movement at the vicinity of KP201, Sabah-Sarawak Gas Pipeline on 21 Sep 2022. The pipeline has a design capacity of 750 mil CF/day. Based on 1 ton: 48,700 CF, daily disruption amounts to 15.4K ton of LNG.
- The leak affected only the MLNG Dua production facility with a nominal capacity of 9.6 mil tonne per annum – or 33% of Petronas' MLNG total nominal capacity. Other LNG production facilities within the Petronas LNG Complex continue to operate as planned. See Exhibit 1 for nominal capacity of each plants in the complex.
- LNG exports make up 49% of total throughput of Bintulu Port Holdings (BiPort), all of which are sourced from Petronas-operated Malaysia LNG complex with production capacity of 29.3mil tonnes per annum.
- We believe the impact from the leakage is minimal to BiPort, as most of the natural gas in its liquefaction plant are sourced from Sarawak instead of Sabah. Daily natural gas production from Sabah is only 15.2K tonnes/day, or 18% of Sarawak's 83.9K tonnes/day, whereas production capacity of MLNG2 is 9.6mil tonnes/annum, or 263K tonnes/day.
- Assuming 60 days of disruption, there will be a shortfall of up to 1.0mil tonnes of LNG in FY22F, which will only reduce BiPort's earnings by 2.1%. Another mitigating factor is that Petronas can chose to increase production in Sarawak to make up for the shortfall in supply from Sabah.
- Additionally, a similar disruption had occurred in Jan 2018, and BiPort's PAT only fell 3% in FY18 from FY17.
- We maintain BUY on BiPort with a DCF-based fair value of RM6.05/share (WACC: 9%, terminal growth rate: 4%)

Quick Take

EXHIBIT 1: LIQUEFACTION PLANTS IN BINTULU

| | Liquefaction | | Storage | | Owner(s) | Main Market |
|--------------|--------------|-------------------------|-------------|--------------------------------------|--|---------------------------------|
| | No of Trains | Nominal Capacity (MTPA) | No of Tanks | Total Capacity (liq m ³) | | |
| MLNG 1 Satu | 3 | 8.4 | | | Petronas (90%), Sarawak (5%), Mitsubishi (5%) | China, Japan, Thailand, S.Korea |
| MLNG 2 Dua | 3 | 9.6 | 6 | 390,000 | Petronas (80%), Mitsubishi (10%), Sarawak (10%) | Taiwan, Japan |
| MLNG 3 Tiga | 2 | 7.7 | | | Petronas (60%), Sarawak (25%), ENEOS (10%), Diamond Gas (5%) | China, Japan, S.Korea |
| MLNG T9 | 1 | 3.6 | | | Petronas (70%), ENEOS (10%), PTT (10%), Sarawak (10%) | Japan |
| Total | 9 | 29.3 | | | | |

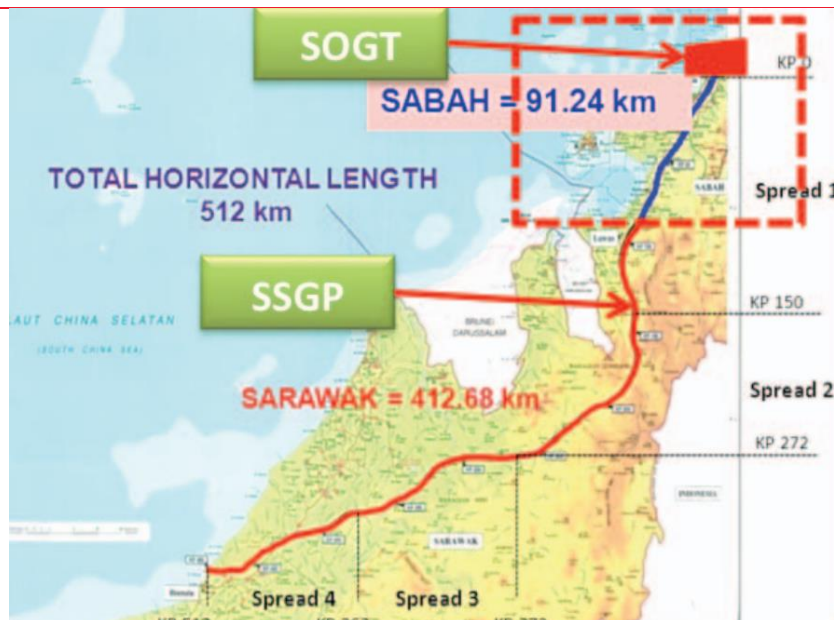
Source: GIIGNL Annual Report 2022 Edition

EXHIBIT 2: NATURAL GAS RESERVES AND PRODUCTION

| | Natural Gas Reserves (Tril CF) | | | Natural Gas Production | |
|---------------|--------------------------------|----------------|-------------|------------------------|--------------|
| | Associated | Non-Associated | Total | mil CF/Day | '000 Ton/day |
| Pen. Malaysia | 6.4 | 15.2 | 21.6 | 1,823.0 | 37.4 |
| Sarawak | 1.4 | 44.4 | 45.9 | 4,085.8 | 83.9 |
| Sabah | 2.1 | 9.6 | 11.7 | 740.3 | 15.2 |
| Total | 9.9 | 69.3 | 79.2 | 6,649.1 | 136.5 |

Source: National Energy Balance 2019

EXHIBIT 3: LOCATION OF THE SABAH SARAWAK GAS PIPELINE



Source: Sabah Economic Development and Investment Authority

EXHIBIT 4: VALUATION MATRIX

| YE 31 Dec | FY20 | FY21 | FY22F | FY23F | FY24F |
|-------------------------------|--------|-------|-------|-------|-------|
| Revenue (RM mil) | 715.7 | 735.3 | 812.7 | 844.1 | 875.4 |
| Core net profit (RM mil) | 93.3 | 98.7 | 115.2 | 125.2 | 135.7 |
| FD Core EPS (sen) | 20.3 | 21.4 | 25.0 | 27.2 | 29.5 |
| FD Core EPS growth (%) | (27.8) | 5.8 | 16.8 | 8.7 | 8.4 |
| Consensus Net Profit (RM mil) | - | - | 111.5 | 132.0 | 136.0 |
| DPS (sen) | 10.0 | 12.0 | 12.5 | 13.6 | 14.7 |
| PE (x) | 24.7 | 23.3 | 20.0 | 18.4 | 17.0 |
| EV/EBITDA (x) | 7.7 | 6.9 | 7.0 | 6.4 | 5.9 |
| Div yield (%) | 2.0 | 2.4 | 2.5 | 2.7 | 2.9 |
| ROE (%) | 6.9 | 6.4 | 6.7 | 7.0 | 7.4 |
| Net Gearing (%) | 55.9 | 35.1 | 26.8 | 19.3 | 12.4 |

Source: Company, AmlInvestment Bank Bhd estimates

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