

TARIKH : 9 MAC 2023
AKHBAR : THE STAR
MUKA SURAT : 3

Year of further recovery

Year of further recovery

Sector poised for long-term growth

OIL AND GAS

PETALING JAYA: Malaysia's oil and gas services and equipment (OGSE) industry expects 2023 to be a year to recover further, provided measures are taken to ensure local OGSE companies are positioned for long-term growth.

Malaysia Petroleum Resources Corp (MPRC), in its eighth annual OGSE100 publication yesterday, noted the OGSE100 (top 100 OGSE companies by revenue) posted a 208% year-on-year (y-o-y) growth in profitability in financial year 2021 (FY21) from a loss of RM3.5bil in FY20.

The OGSE100 accounted for 90% of the OGSE industry's profit before tax in FY21. On the whole, 68% of Malaysia's OGSE industry registered profits in FY21.

There was an 8.4% y-o-y growth in revenue or RM5.3bil in the OGSE industry, with the OGSE100 accounting for 74% of this amount, followed by non-OGSE100 MidTiers at 14% and non-OGSE100 small, medium enterprises (SMEs) at 12%.

President and chief executive officer of MPRC Mohd Yazid Ja'afar said the performance of the OGSE industry had reached a turning point in 2021 in tandem with improving economic and business conditions follow-

ing the recovery from the Covid-19 pandemic.

"Some of the improved performance in the OGSE industry could be attributed to a larger population of 2,376 companies accounted for in FY21, against a population of 1,328 in FY20.

"The lower population in FY20 was mainly due to the exclusion of companies that had submitted their FY20 accounts late following the Covid-19 crisis," he said in a statement yesterday.

In general, the OGSE annual report typically lags by one year due to the availability of private company information from the Companies Commission of Malaysia.

Notwithstanding the larger industry population, the financial results of public-listed OGSE companies in FY22, as reported in filings to Bursa Malaysia, also indicated business recovery which further backed the OGSE industry's improved earnings performance in FY21.

"Positive newsflow has also emerged on the award of new contracts and expectations for higher rates, which augur well for OGSE companies," added Mohd Yazid.

Mohd Yazid expects more opportunities to be created for local OGSE companies, both at home and abroad, on the back of rising global energy demand which could result in more activities in the upstream sector.

"However, although more activities will be

conducted, the benefits may not be felt immediately across the ecosystem.

"Updated contract rates to reflect the current operating environment, more integrated contracts and the transition towards new vessels call for OGSE companies in the supply chain to be more dynamic and agile to grab these opportunities," he said.

In FY21, Petroliam Nasional Bhd's total capital expenditure (capex) declined by 9.5% y-o-y to RM30.5bil. This figure was also 13% lower than the RM35bil capex allocation announced for the year by the national oil company.

Mohd Yazid added OGSE firms are still confronted with ongoing economic risks brought about by geopolitical conditions. Some companies remain cautious of the implications of the energy transition on their business activities.

"The industry is also just recovering from the effects of the Covid-19 pandemic. Overall, as OGSE companies focus on rebuilding, they must also strengthen their ability to provide niche services and integrated solutions, allowing them to compete locally and worldwide.

"The OGSE industry must contend with the continuously evolving business environment, which calls for greater cost efficiency, the need to offer integrated solutions and an enhancement of technical capability and innovation," he said.