

17 August 2018 | 4QFY18 Results Review

Dialog Group Berhad

Business prospects remain intact

INVESTMENT HIGHLIGHTS

- **Dialog Group Berhad's 4QFY18 reported earnings grew by +10.9%yoy to RM114.8m**
- **FY18 normalised earnings (excluding fair value gain on disposal) within expectations**
- **Tank farm business expanded by +11% to RM31.4m**
- **Maintain NEUTRAL with unchanged TP of RM3.24 per share**

Reported earnings grew by +10.9%yoy. Dialog's 4QFY18 reported earnings grew by +10.9%yoy to RM114.8m. The company's cumulative normalised FY18 earnings (excluding fair value gain on disposal) which amounted to RM445.1m came in within ours and consensus' expectations, making up 99.0% of full-year earnings estimates respectively.

Malaysian operation remains solid. Approximately 87% of the group's FY18 earnings were contributed by the Malaysian operations. The growth of profit from local operations is largely attributable to better performance delivered by both midstream and downstream activities coupled with the revenue consolidation of Langsat Terminals since it was acquired back in September 2017.

Tank farm business continues to expand. Earnings from its tank farm business during the quarter expanded by +11% to RM31.4m. The upbeat contribution is a result of Pengerang LNG (Two) Sdn Bhd which achieved its commercial operations and received first commercial LNG cargo at its newly commissioned regasification terminal at Pengerang Deepwater Terminal in November 2017.

Focus on tank farms going forward. Dialog's strategy is clear – immediate to long-term focus on tank farms. Pengerang Deepwater Terminal phase 1 is being expanded by 430,000m³ while construction of Phase 2 is now partially completed with full completion scheduled in early 2019. The company also indicated that Phase 3 will be developed on approximately 300 acres of land located next to Phase 2 within the Pengerang Deepwater Terminals with an initial investment cost of RM2.5b.


Impact on earnings. No change to earnings estimates.

Maintain NEUTRAL

Maintain Target Price (TP): RM3.24

RETURN STATS	
Price (16 August 2018)	RM3.35
Target Price	RM3.24
Expected Share Price Return	-3.3%
Expected Dividend Yield	+0.8%
Expected Total Return	-2.5%

STOCK INFO	
KLCI	1,777.27
Bursa / Bloomberg	7277 / DLG MK
Board / Sector	Main/ Trading Services
Syariah Compliant	Yes
Issued shares (mil)	5,638.3
Market cap. (RM'm)	18,888.3
Price over NA	5.1x
52-wk price Range	RM1.90 – RM3.49
Beta (against KLCI)	1.01
3-mth Avg Daily Vol	14.5m
3-mth Avg Daily Value	RM47.3m
Major Shareholders (%)	
Ngau Boon Keat	20.03
Azam Utama	8.29
Employees Provident Fund	7.88
Wide Synergy	7.84
Kumpulan Wang Persaraan	7.69

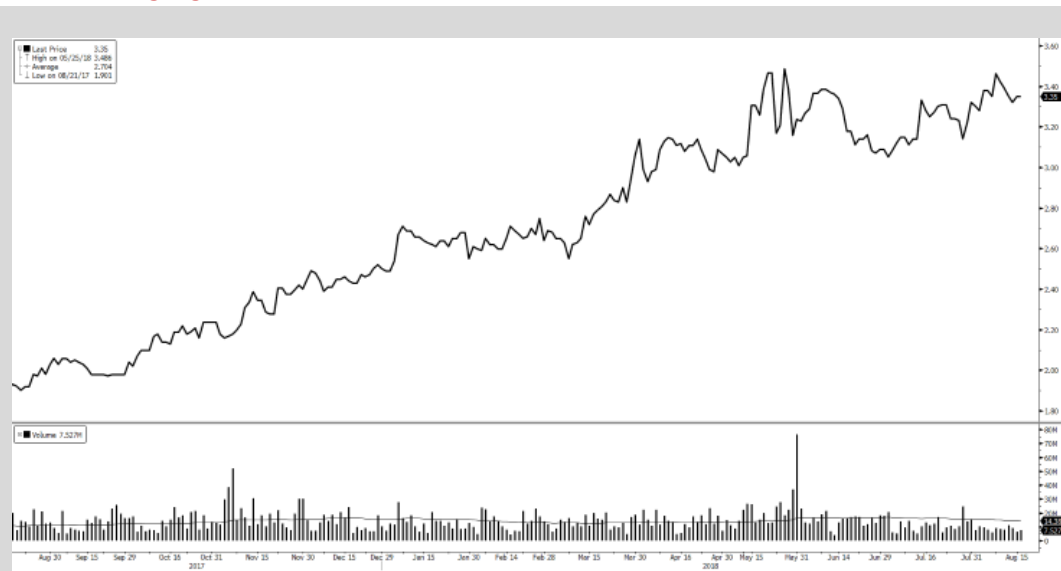
Maintain NEUTRAL. We are maintaining our **NEUTRAL** recommendation on Dialog with an unchanged target price of **RM3.24** per share (four-year PER high). Our TP valuation is based on sum-of-parts method, pegging PER of 28x to its core businesses, i.e. EPCC, Plant Maintenance, Specialist and Catalyst. As for centralized tankage facilities business, discounted cash flow is based on a discount rate of 8%. 

INVESTMENT STATISTICS

FYE Jun	FY16	FY17	FY18	FY19F	FY20F
Revenue (RM'm)	2,390.0	3,392.9	3,110.6	4,050.0	4,201.0
EBIT (RM'm)	191.2	341.8	679.5	618.0	643.6
Pretax Profit (RM'm)	366.5	448.8	628.1	598.0	622.6
Net Profit (RM'm)	303.0	370.6	510.4	472.3	491.4
EPS (sen)	5.4	6.8	9.1	8.4	8.7
EPS growth (%)	-3.0	26.5	33.2	-7.5	4.0
PER (x)	61.8	48.8	36.6	39.6	38.1
Net Dividend (sen)	2.4	2.8	2.8	2.8	2.8
Net Dividend (%)	0.7	0.8	0.8	0.8	0.8

Source: MIDFR

DAILY PRICE CHART



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Source: MIDFR, Company

4QFY18 RESULTS SUMMARY

FYE June (RM'm)	Quarterly Results					Cumulative Results		
	4QFY17	3QFY18	4QFY18	QoQ (%)	YoY (%)	FY17	FY18	YoY (%)
Revenue	968.9	867.4	607.1	(30.0)	(37.3)	3,392.9	3,110.6	(8.3)
Operating Expenses	(892.2)	(756.3)	(506.4)	(33.0)	(43.2)	(3,115.0)	(2,721.2)	(12.6)
Other Operating Income	27.1	17.4	30.3	73.9	11.7	97.7	95.5	(2.2)
Fair value gain on disposal of JV	0.0	0.0	0.0	nm	nm	-	65.6	nm
JCE	28.4	31.8	31.4	(1.1)	10.7	107.0	129.1	20.6
Finance costs	(10.4)	(12.1)	(13.6)	12.4	31.2	(33.8)	(51.1)	51.4
Profit Before Tax	121.9	148.1	148.8	0.5	22.1	448.8	628.4	40.0
Tax	(21.0)	(25.8)	(27.4)	6.1	30.2	(75.7)	(99.8)	31.9
Profit After Tax	100.9	122.4	121.5	(0.7)	20.4	373.1	528.6	41.7
MI	(2.7)	3.5	6.6	87.8	(348.5)	2.5	17.9	625.6
PATAMI	103.5	118.8	114.8	(3.4)	10.9	370.6	510.7	37.8
Normalised earnings	103.5	118.8	114.8	(3.4)	10.9	370.6	445.1	20.1
PBT Margin (%)	12.6	17.1	24.5	7.4	11.9	13.2	20.2	7.0
Tax Rate (%)	17.2	17.4	18.4	1.0	1.1	16.9	15.9	(1.0)
Net Margin (%)	10.7	13.7	18.9	5.2	8.2	10.9	14.3	3.4

Source: MIDFR, Company

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.