

06 April 2018 | Corporate Update

Dialog Group Berhad

Pengerang Deepwater Terminal Phase 3 in the works

Maintain NEUTRAL

Revised Target Price (TP): RM2.83
(previously RM2.55)

INVESTMENT HIGHLIGHTS

- **Dialog Group Bhd's wholly-owned unit Dialog Pengerang Sdn Bhd entered into MoU with Johor government and State Secretary Johor**
- **MoU is for development of common tankage facilities and dedicated deepwater marine facilities**
- **Pengerang Deepwater Terminals Phase 3 project value approximately RM2.5b**
- **Project was previously guided by management**
- **Maintain NEUTRAL (upside bias) with revised TP of RM2.83 per share**

Pengerang Deepwater Terminals Phase 3. Dialog Pengerang Sdn Bhd signed a memorandum of understanding (MoU) with State Government of Johor and State Secretary, Johor to outline Pengerang CTF Sdn Bhd's involvement in the development of common tankage facilities and dedicated deepwater marine facilities – known as Pengerang Deepwater Terminals Phase 3. The engineering, procurement and construction works for the reclamation, soil improvement and shore protection works has been awarded to Penta-Ocean (M) Sdn Bhd. The 300acre land reclamation work is expected to be completed in 22 months.

Phase 3 facilities. The RM2.5b project will consist of: (i) common tankage facilities and dedicated deepwater marine facilities; (ii) development of more petroleum and petrochemicals storage terminals and; (iii) development of industrial land for further downstream oil and gas related activities.

New corporate structure. Pengerang CTF Sdn Bhd is currently a wholly owned unit of Dialog Terminals Sdn Bhd, which in turn is a wholly owned unit of Dialog Group. The new structure will see Dialog Terminals Sdn Bhd holding 80% of Pengerang CTF Sdn Bhd while Permodalan Darul Ta'zim, wholly owned unit of State Secretary, Johor will hold the remaining 20%.


Focus on tank farms moving 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 on schedule.

RETURN STATS

Price (05 April 2018)	RM2.99
Target Price	RM2.83
Expected Share Price Return	-5.4%
Expected Dividend Yield	+1.3%
Expected Total Return	-4.1%

STOCK INFO

KLCI	1,836.13
Bursa / Bloomberg	7277 / DLG MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	5,630.8
Market cap. (RM'm)	16.850.5
Price over NA	4.2x
52-wk price Range	RM1.70 – RM3.15
Beta (against KLCI)	0.93
3-mth Avg Daily Vol	36.5m
3-mth Avg Daily Value	RM96.6m
Major Shareholders (%)	
Ngau Boon Keat	20.37
Employees Provident Fund	9.05
Azam Utama	8.20
Wide Synergy	7.57
Kumpulan Wang Amanah Persaraan	7.33

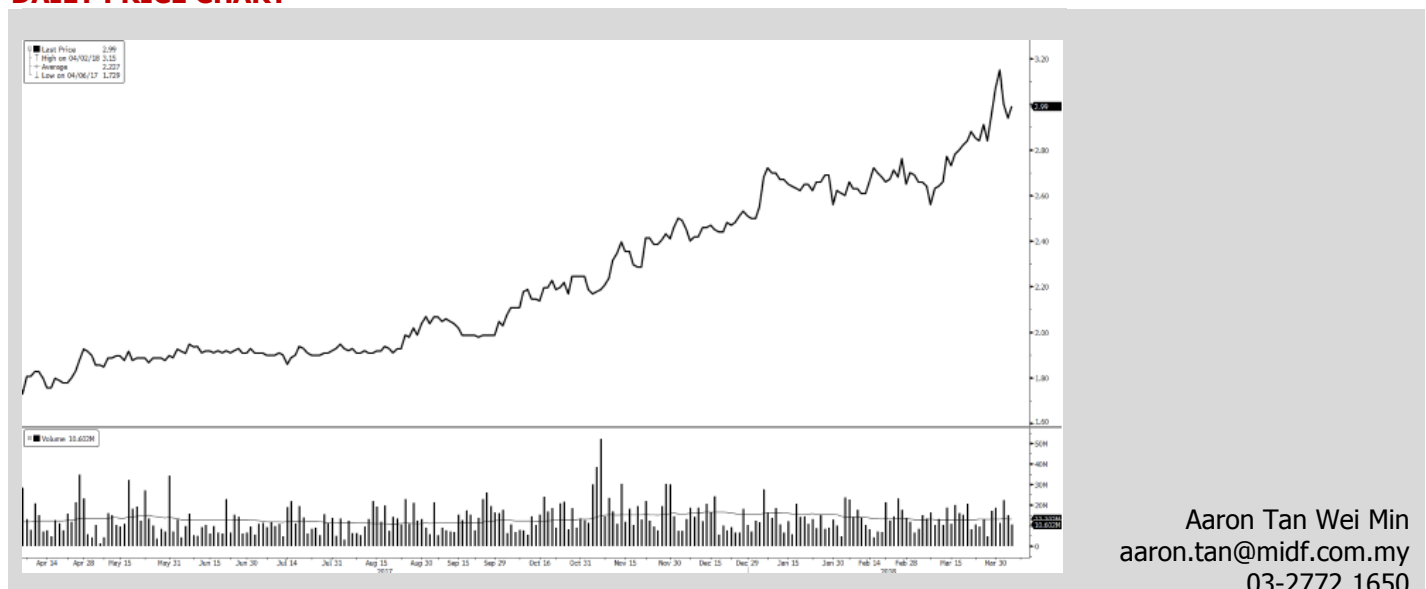
Maintain Neutral with positive bias. Dialog's share price has been volatile on the upside, stoked by positive news flows from Pengerang and solid earnings. The company's forward PER is currently at **35x**. Given the strong global crude oil price and strong downstream sub-segment of the value chain, we are revising our target price upward to **RM2.83** per share (previously RM2.55), whilst maintaining our **Neutral** recommendation with positive bias. Our valuation is based on a sum-of-parts method pegging a PER of 28x to its core businesses i.e. EPCC, Plant Maintenance, Specialist and Catalyst. As for the centralized tankage facilities business, our discounted cash flow is based on a discount rate of 8%. 

INVESTMENT STATISTICS

FYE Jun	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	2,358.2	2,390.0	3,392.9	3,950.0	4,240.0
EBIT (RM'm)	167.6	191.2	341.8	577.9	622.1
Pretax Profit (RM'm)	370.5	363.6	448.8	557.9	602.1
Net Profit (RM'm)	275.1	300.2	370.6	441.1	473.9
EPS (sen)	5.5	5.3	6.8	7.8	8.4
EPS growth (%)	13.3	-3.9	27.7	15.1	7.4
PER (x)	48.0	50.0	39.1	34.0	31.6
Net Dividend (sen)	2.2	2.4	2.8	3.6	3.9
Net Dividend (%)	0.7	0.8	0.9	1.2	1.3

Source: MIDFR

DAILY PRICE CHART



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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.