

21 May 2018 | 1QFY18 Results Review

## Petronas Dagangan Berhad

*Earnings in-line*

**Maintain BUY**

**Unchanged Target Price (TP): RM28.00**

### INVESTMENT HIGHLIGHTS

- **Petronas Dagangan Bhd's (PetDag) 1QFY18 reported earnings declined -13.7%yoy**
- **Sales volume declined by -4%qoq while ASP increased by +3%qoq**
- **First interim dividend of 13sen per share declared representing 59% payout ratio**
- **Maintain BUY with an unchanged TP of RM28.00 per share**

**Earnings in-line with forecasts.** Petronas Dagangan Bhd's 1QFY18 reported profit declined by -13.7%yoy to RM218.5m. On a quarterly sequential basis, revenue is supported by higher average selling price of +3%yoy offset by lower sales volume of -4%yoy. 3MFY18 earnings came in within our full year FY18 estimates at 22%, but fell short of consensus full year estimates by a variance of -5%. The lower year-over-year earnings and tapering sales volume is within our expectations.

**Retail segment.** Segment profitability declined largely due to increase in higher product costs and higher production of LPG cylinders to meet demand. The lower profitability is however partially offset by higher margin from the mogas division. In addition, lower profitability is also attributable to higher staffing costs.

**Commercial segment.** The increase in segment revenue year-over-year is attributable to volume growth and increase in ASP by +8% and +2% respectively. However, the decline in profitability is largely due to higher opex from higher staffing costs.

**Impact on earnings.** No changes to earnings forecasts.

**Dividends.** Declared first interim dividend of 13sen, representing 59% payout of profit.

**Maintain BUY.** We are maintaining our **Buy** recommendation on PetDag with an unchanged TP of **RM28.00** per share. Our valuation is premised on PER18 of 28x pegged to EPS18 of 100.1sen. The target PER is based on PetDag's average four-quarter rolling PER over the past five years.



RETURN STATS	
Price (18 May 2018)	RM26.28
Target Price	RM28.00
Expected Share Price Return	+6.5%
Expected Dividend Yield	+3.0%
<b>Expected Total Return</b>	<b>+9.5%</b>

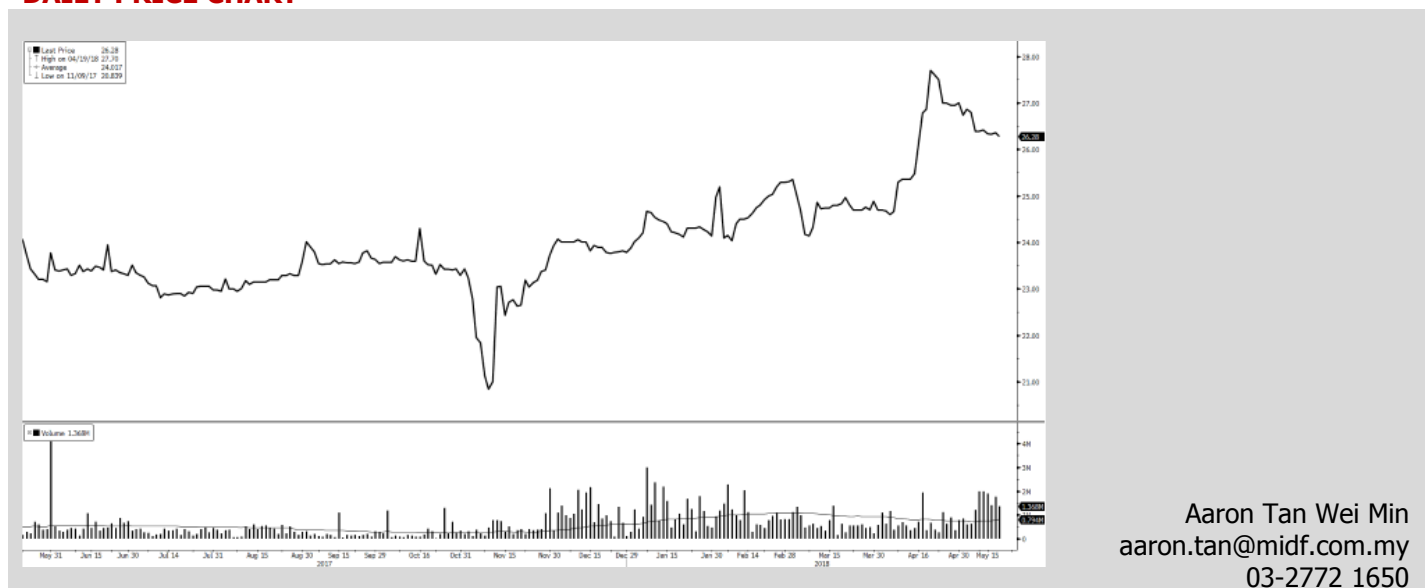
STOCK INFO	
KLCI	1,854.50
Bursa / Bloomberg	5681 / PETD MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	993.5
Market cap. (RM'm)	26,108.0
Price over NA	5.1x
52-wk price Range	RM20.84 – RM27.70
Beta (against KLCI)	0.58
3-mth Avg Daily Vol	0.8m
3-mth Avg Daily Value	RM20.7m
Major Shareholders (%)	
Petroleum Nasional Berhad	69.86
Permodalan Nasional Bhd and its associated funds	9.51
Employees Provident Fund	3.84

## INVESTMENT STATISTICS

Income statement	2015	2016	2017	2018F	2019F
Revenue	25,171.2	21,786.4	26,737.9	25,006.1	25,806.7
Operating profit	1,094.3	1,214.4	1,440.1	1,338.2	1,544.9
Pretax Income	1,084.6	1,212.3	1,437.9	1,339.3	1,544.9
Tax	(290.0)	297.3	(349.9)	(334.8)	(370.8)
<b>Reported PATANCI</b>	<b>819.2</b>	<b>944.6</b>	<b>1,539.5</b>	<b>994.4</b>	<b>1,150.6</b>
<b>Normalised PATANCI</b>	<b>819.2</b>	<b>944.6</b>	<b>1,089.0</b>	<b>994.4</b>	<b>1,150.6</b>
Normalised EPS (sen)	79.5	95.1	96.1	100.1	115.7
PER (x)	33.1	27.7	27.3	26.3	22.7
Dividend (sen)	60.0	70.0	97.0	80.0	85.0
Dividend yield (%)	2.3	2.7	3.7	3.0	3.2

Source: MIDFR, Company

## DAILY PRICE CHART



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## Results Summary: 1QFY18

FYE Dec (RM m)	Quarterly Results				
	1Q17	4Q17	1Q18	QoQ (%)	YoY (%)
Revenue	6686.3	6994.9	7070.1	1.1	5.7
Operating profit	336.1	372.8	290.9	-22.0	-13.4
Finance cost	-1.5	-3.0	-0.4	-86.4	-72.8
Assoc. & JV	1.0	1.1	0.7	-37.8	-36.0
PBT	335.6	370.9	291.2	-21.5	-13.2
Tax expense	-81.0	-90.9	-70.8	-22.1	-12.6
PAT from continuing operations	254.6	280.0	220.3	-21.3	-13.5
NCI	1.5	1.5	1.9	27.3	27.7
PATANCI	253.2	278.6	218.5	-21.6	-13.7
Revenue					
Retail	3556.0	3511.2	3665.2	4.4	3.1
Commercial	3124.9	3468.5	3399.9	-2.0	8.8
Others	5.4	5.2	5.0	-3.8	-8.0
Operating profit					
Retail	198.8	228.2	165.8	-27.3	-16.6
Commercial	132.2	137.7	119.1	-13.5	-9.9
Others	5.1	7.0	6.0	-14.2	17.3
OP Margin (%)					
Retail	5.6	6.5	4.5	-2.0	-1.1
Commercial	4.2	4.0	3.5	-0.5	-0.7
Others	94.7	135.3	120.7	-14.6	26.0

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.