

16 May 2018 | 1QFY18 Results Preview

Petronas Dagangan Berhad

Earnings and volume tapering expected

Maintain BUY

Unchanged Target Price (TP): RM28.00

INVESTMENT HIGHLIGHTS


- **Petronas Dagangan Bhd's (PetDag) 1QFY18 earnings expected to be in-line with our forecasts**
- **Sales volume expected to taper in-line with industrywide decline**
- **Expecting first interim dividend of between 17-20sen per share**
- **Maintain BUY with an unchanged TP of RM28.00 per share**

Earnings expected to be in-line with forecasts. Petronas Dagangan Berhad's 1QFY18 results are expected to be in-line with our FY18 full year's earnings forecast of RM994.4m. We believe that the company's normalised profit will be between RM210-250m for 1QFY18. This would represent declines of approximately -10%yoy and -20%qoq. We are anticipating a slight tapering in earnings this year as volumes are expected to moderate in light of decline in sales volume and comparatively higher retail pump prices.

Sales volume expected to taper. Since FY16, sales volume experienced a slowdown in growth in-line with the commencement of LRT Kelana Jaya line extension (3QFY16) and KVMRT SBK-line (4QFY16). We have already anticipated the slowdown in sales volume, especially from the retail fuel segment. In addition to that, we have factored in downward pressure on sales volume as there will be more aggressive reimagining and refurbishments of stations this year. The target is to reimage approximately 50 stations in FY18 where the shutdown of each station will take approximately one month compared with three months previously.

Impact on earnings. No changes to earnings forecasts.

Dividends. We are expecting first interim dividend of between 17-20sen per share to be declared.

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 (15 May 2018)	RM26.34
Target Price	RM28.00
Expected Share Price Return	+6.3%
Expected Dividend Yield	+3.0%
Expected Total Return	+9.3%

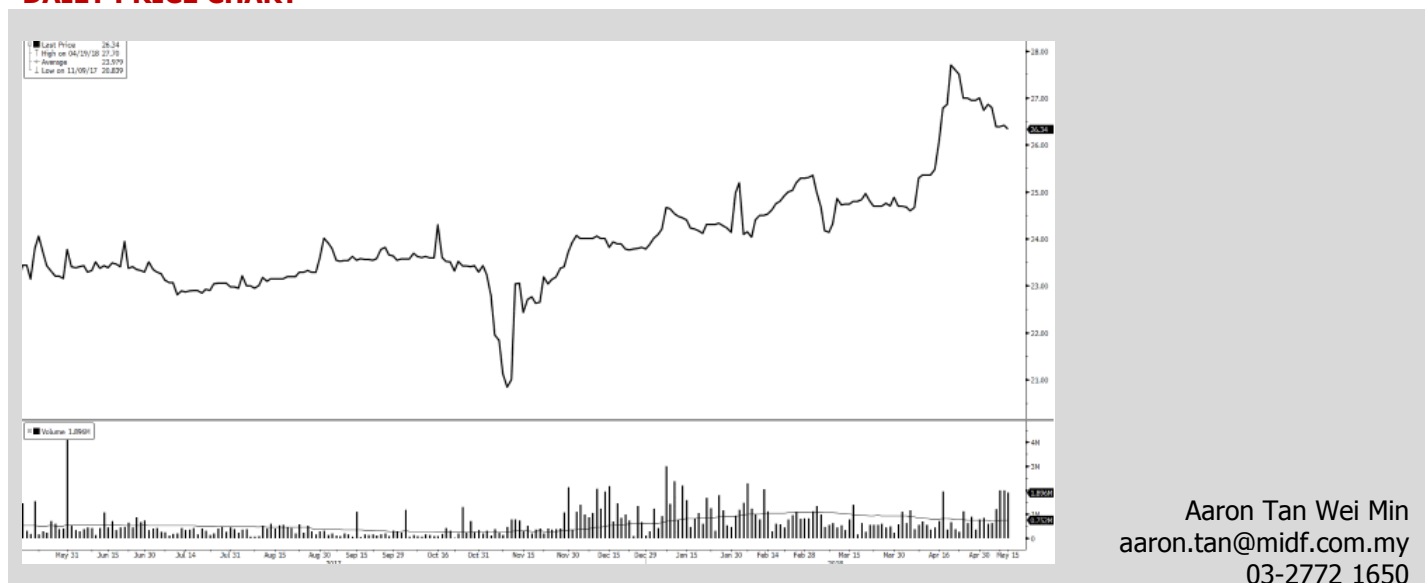
STOCK INFO	
KLCI	1,848.20
Bursa / Bloomberg	5681 / PETD MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	993.5
Market cap. (RM'm)	26,167.6
Price over NA	5.1x
52-wk price Range	RM20.84 – RM27.70
Beta (against KLCI)	0.58
3-mth Avg Daily Vol	0.75m
3-mth Avg Daily Value	RM19.11m
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)
Reported PATANCI	819.2	944.6	1,539.5	994.4	1,150.6
Normalised PATANCI	819.2	944.6	1,089.0	994.4	1,150.6
Normalised EPS (sen)	79.5	95.1	96.1	100.1	115.7
PER (x)	33.1	27.7	27.4	26.3	22.8
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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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.