

21 August 2018 | 2QFY18 Results Review

## Petronas Dagangan Berhad

*Higher ASP boosted earnings*

**Maintain BUY**

**Revised Target Price (TP): RM30.08**  
(previously RM28.00)

### INVESTMENT HIGHLIGHTS

- **Petronas Dagangan Bhd's (PetDag) 2QFY18 earnings surged by +41.5%yoy to RM314.4m**
- **ASP increased by +5.0%yoy while sales volume declined marginally by -1%yoy**
- **Second interim dividend of 16 sen declared**
- **Maintain BUY with revised TP of RM30.08**


**Within expectations.** Petronas Dagangan's 2QFY18 reported earnings surged by +41.5%yoy to RM314.4m. On a quarterly sequential basis, revenue was supported by higher average selling price of +5.0% offset by lower sales volume of 1%. The 6MFY18 earnings accounted for 53.6% and 52.8% of our and consensus full year FY18 earnings estimates respectively.

**Retail segment.** Segment profitability increased in line with increasing MOPS price. In addition, lower product and freight costs also contributed to higher margin for Mogas, Diesel and Retail LPG. However, this was partially offset by higher spending on advertising and promotion.

**Commercial segment.** Segment revenue grew by +17.7%yoy mainly attributable to increase in average selling price by +18.0%yoy despite a marginal -1% decline in volume due to lower demand for Jet A1. That said, this was offset by volume growth from Diesel, bulk LPG and Sulphur following high customer demand.

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

**Dividends.** Declared second interim dividend of 16 sen, representing 51% payout of profit.

**Maintain BUY** recommendation on PetDag. We roll forward our valuation base year to FY19, deriving a new target price of **RM30.08** per share. Our valuation is premised on revised target PER19 of 26x (five year rolling average), from 28x previously pegged to EPS19 on 115.7 sen. Whilst we are of the opinion that company fundamentals remain intact, we are cognizant that the decline in sales volume could pose medium to long term downside risks. However, the effects from declining sales volume has been successfully mitigated by the management team by boosting operational efficiency and by robust inventory management. 

RETURN STATS	
Price (20 August 2018)	RM26.90
Target Price	RM30.08
Expected Share Price Return	+11.8%
Expected Dividend Yield	+3.2%
<b>Expected Total Return</b>	<b>+15.0%</b>

STOCK INFO	
KLCI	1,787.58
Bursa / Bloomberg	5681 / PETDAG MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	993.45
Market cap. (RM'm)	26,723.91
Price over NA	4.53x
52-wk price Range	RM20.8 – RM28.10
Beta (against KLCI)	0.74
3-mth Avg Daily Vol	0.78m
3-mth Avg Daily Value	RM19.9m
Major Shareholders (%)	
Petroleum Nasional Berhad	69.86
PNB and its associated funds	9.51
Employees Provident Fund	5.07

## INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17	FY18F	FY19F
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)	33.8	28.3	28.0	26.9	23.2
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

## DAILY PRICE CHART



Aaron Tan Wei Min  
 aaron.tan@midf.com.my  
 03-2772 1650

Source: MIDFR, Company

## 2QFY18 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly Results					Cumulative Results		
	2QFY17	1QFY18	2QFY18	QoQ (%)	YoY (%)	1HFY17	1HFY18	YoY (%)
Revenue	6,616.4	7,070.1	7,278.0	2.9	10.0	13,393.4	14,348.1	7.1
Operating profit	307.2	290.9	422.3	45.2	37.5	628.7	713.2	13.4
Finance cost	(0.8)	(0.4)	1.1	(373.0)	(234.7)	(2.1)	0.7	(133.1)
Assc. & JV	1.1	0.7	0.8	22.4	(28.6)	2.1	1.5	(28.8)
PBT	307.5	291.2	424.3	45.7	38.0	628.6	715.4	13.8
Tax expense	(75.4)	(70.8)	(101.7)	43.6	34.9	(155.4)	(172.6)	11.1
PAT from continuing operations	232.1	220.3	322.5	46.4	39.0	473.3	542.9	14.7
NCI	10.0	1.9	8.1	337.8	(18.6)	29.1	10.0	(65.7)
PATANCI	222.2	218.5	314.4	43.9	41.5	502.4	532.9	6.1
Revenue								
Retail	3,600.1	3,665.2	3,728.1	1.7	3.6	7,303.9	7,393.3	1.2
Commercial	3,012.2	3,399.9	3,545.1	4.3	17.7	6,079.9	6,945.0	14.2
Others	4.2	5.0	4.9	(0.1)	0.7	9.6	9.8	0.3
Operating profit								
Retail	151.7	165.8	236.1	70.2	84.4	345.8	401.9	56.1
Commercial	148.1	119.1	152.3	33.2	4.2	269.5	271.4	1.9
Others	7.3	6.0	33.9	27.9	26.6	13.5	39.9	26.5
OP Margin (%)								
Retail	4.2	4.5	6.3	1.8	2.1	4.7	5.4	0.7
Commercial	4.9	3.5	4.3	0.8	(0.6)	4.4	3.9	(0.5)
Others	176.8	120.7	699.4	578.7	522.5	140.8	406.7	265.9

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

### 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.