

28 November 2018 | 3QFY18 Results Review

Petronas Dagangan Berhad

Earnings cushioned by higher ASP

Maintain BUY

Unchanged Target Price (TP): RM30.08

INVESTMENT HIGHLIGHTS

- **Petronas Dagangan Bhd's (PetDag) 3QFY18 earnings declined by -19.0%yoy to RM270.3m**
- **ASP increased by +7.0%yoy while sales volume increased marginally by +2.0%yoy**
- **Third interim dividend of 16sen declared**
- **Maintain BUY with unchanged TP of RM30.08 per share**


Within expectations. Petronas Dagangan's 3QFY18 reported earnings declined by -19.0%yoy to RM270.3m mainly attributable to higher spending on advertising and promotion. On a quarterly sequential basis, revenue is supported by higher average selling price of +2.0% and higher sales volume for both retail and commercial by +3.0% and +7.0% respectively. 9MFY18 earnings accounted for 80.1% and 78% of our and consensus full year FY18 earnings estimates respectively.

Retail segment. Segment revenue increased by +8.6%yoy attributable to increase in average selling prices by +7.0% and higher sales volume of +2.0% mainly contributed by Diesel. However, segment profit declined by -11.1% due to higher spending on advertising and promotion as well as; lower gain on fixed asset disposal.

Commercial segment. Segment revenue grew by +19.5%yoy mainly attributable to increase in average selling price by +31.0%yoy despite a -8.0% decline in volume due to the shifting of Diesel customers from Commercial segment to Retail segment as well as; lower demand for Jet A1. Additionally, fuel oil volume decreased due to lower customer demand.

Impact on earnings. No changes to earnings forecasts pending an analyst briefing to be held today.

Dividends. Declared third interim dividend of 16sen, representing 59% payout of profit.

Maintain BUY. We are maintaining our **BUY** recommendation on PetDag with an unchanged TP of **RM30.08**. Our valuation is premised on forward PER19 of 26x pegged to EPS19 of 115.7sen. The target PER is based on PetDag's rolling four-quarter average PER over five years. 

RETURN STATS	
Price (27 November 2018)	RM27.10
Target Price	RM30.08
Expected Share Price Return	+11.0%
Expected Dividend Yield	+3.2%
Expected Total Return	+14.2%

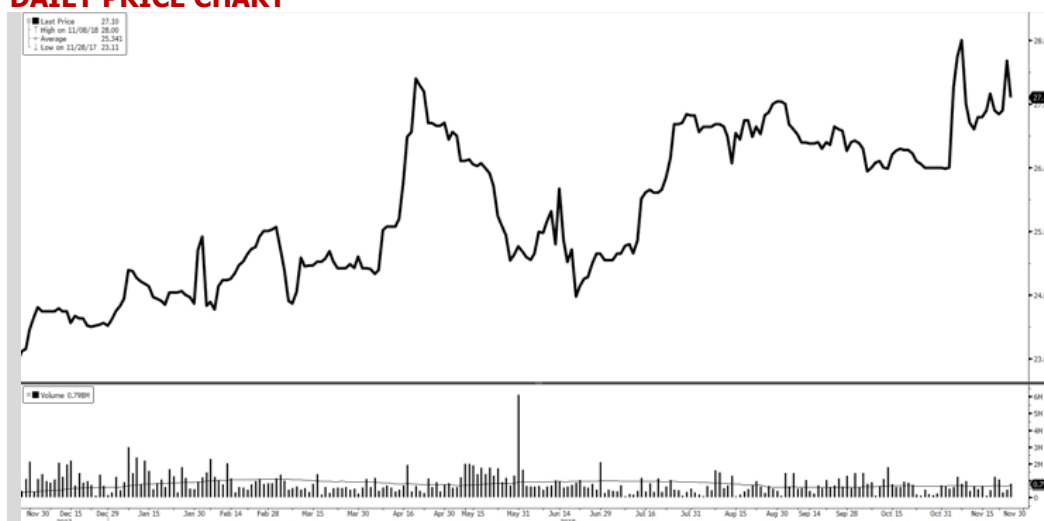
STOCK INFO	
KLCI	1,684.97
Bursa / Bloomberg	5681 / PETDAG MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	993.454
Market cap. (RM'm)	26,922.60
Price over NA	4.48x
52-wk price Range	RM23.0 – RM28.30
Beta (against KLCI)	0.74
3-mth Avg Daily Vol	0.68m
3-mth Avg Daily Value	RM18.2m
Major Shareholders (%)	
Petroleum Nasional Berhad	69.86
PNB and its associated funds	9.61
Employees Provident Fund	5.80

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)
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)	34.1	28.5	28.2	27.1	23.4
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



Noor Athila Mohd Razali
noor.athila@midf.com.my
03-2772 1679

Source: MIDFR, Company

Table 1: Petronas Dagangan's quarterly earnings review

FYE Dec (RM'm)	Quarterly Results					Cumulative Results		
	3QFY17	2QFY18	3QFY18	QoQ (%)	YoY (%)	9MFY17	9MFY18	YoY (%)
Revenue	6,866.4	7,278.0	7,819.3	7.4	13.9	20,259.8	22,167.4	9.4
Operating profit	439.0	422.3	395.3	(6.4)	(9.9)	1,067.7	1,108.6	3.8
Finance cost	(1.6)	1.1	(4.8)	(528.9)	202.5	(3.7)	(4.1)	9.8
Assc. & JV	0.9	0.8	0.9	14.5	5.2	2.9	2.4	(18.6)
PBT	438.3	424.3	391.5	(7.7)	(10.7)	1,066.9	1,106.9	3.7
Tax expense	(103.7)	(101.7)	(120.4)	18.4	16.1	(259.0)	(292.9)	13.1
PAT from continuing operations	334.6	322.5	271.1	(15.9)	(19.0)	807.9	814.0	0.8
NCI	0.8	8.1	0.8	(89.6)	2.2	4.0	10.8	169.2
PATANCI	333.8	314.4	270.3	(14.0)	(19.0)	803.9	803.2	(0.1)
Revenue								
Retail	3,551.4	3,728.1	3,856.5	3.4	8.6	10,855.3	11,249.8	3.6
Commercial	3,310.2	3,545.1	3,957.2	11.6	19.5	9,390.1	10,902.199	16.1
Others	4.8	4.9	5.6	0.7	0.8	14.4	15.5	1.1
Operating profit								
Retail	264.4	236.1	235.2	(0.9)	(29.3)	610.2	637.1	26.9
Commercial	164.9	152.3	156.6	4.3	(8.3)	434.4	428.0	(6.4)
Others	9.7	33.9	3.6	(30.3)	(6.1)	23.2	43.5	20.4
OP Margin (%)								
Retail	7.4	6.3	6.1	(0.2)	(1.3)	4.7	5.4	0.7
Commercial	5.0	4.3	4.0	(0.3)	(1.0)	4.4	3.9	(0.5)
Others	201.8	691.8	63.9	(628.0)	(138.0)	140.8	406.7	265.9

Source: Company, MIDFR

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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.