

23 February 2018 | 4QFY17 Results Preview

Petronas Dagangan Berhad

Earnings likely to impress

Maintain BUY

Unchanged Target Price (TP): RM28.00

INVESTMENT HIGHLIGHTS

- **Petronas Dagangan Bhd's (PetDag) 4QFY17 earnings likely to outpace our expectations**
- **Possibility of higher final dividend or special dividend from gain of disposal**
- **Total dividend payout likely to exceed >80%**
- **Maintain BUY with an unchanged TP of RM28.00 per share**

Earnings likely to outpace expectations. PetDag will be announcing its 4QFY17 results in the final week of February 2018. At this juncture, we believe that the 4QFY17 normalised earnings (excluding gains on disposals) will most likely outpace our expectations by a variance of about +5% possibly touching the RM1.0b mark. Our expectation is largely premised on: (i) higher average RON95 MOGAS price of RM2.26 per liter in 4QFY17 compared with RM2.10 per liter in 3QFY17 (+7.6%qoq); (ii) Brent crude oil price appreciation of approximately 20% within the quarter which gives rise to 'lag gain' opportunities and; (iii) overall upbeat economic momentum (4QFY17 GDP growth of 5.9%).

Dividends. In addition to the expected commendable earnings, we believe that there could potentially be a special dividend or higher final dividend declared. The three cumulative dividends declared for FY17 amounts to 48sen per share. We believe that there could be approximately an additional 35-40sen declared, bringing the total dividend declared to approximately 83-88sen per share (payout >80%). This is a result of a large gain on disposal recorded in 3QFY17.

Large gain on disposal recorded. As detailed in our Corporate Update report dated 6 July 2017, PetDag recorded a gain on disposal of RM430.8m from the disposals of 100% equity interest in Petronas Energy Philippines Inc (PEPI) and 40% equity interest in Duta Inc. Actual cash proceeds was RM552.4m for the disposal of the aforementioned subsidiaries.

Impact on earnings. No changes to earnings estimates as our FY18 and FY19 earnings forecasts remain intact.

RETURN STATS	
Price (22 February 2018)	RM25.50
Target Price	RM28.00
Expected Share Price Return	+9.8%
Expected Dividend Yield	+3.1%
Expected Total Return	+12.9%

STOCK INFO	
KLCI	1,855.07
Bursa / Bloomberg	5681 / PETD MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	993.5
Market cap. (RM'm)	25,333.1
Price over NA	5.1x
52-wk price Range	RM21.26 – RM24.60
Beta (against KLCI)	0.68
3-mth Avg Daily Vol	0.30m
3-mth Avg Daily Value	RM26.2m
Major Shareholders (%)	
Petroleum Nasional Berhad	69.86
Permodalan Nasional Bhd and its associated funds	9.51
Employees Provident Fund	3.84

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.

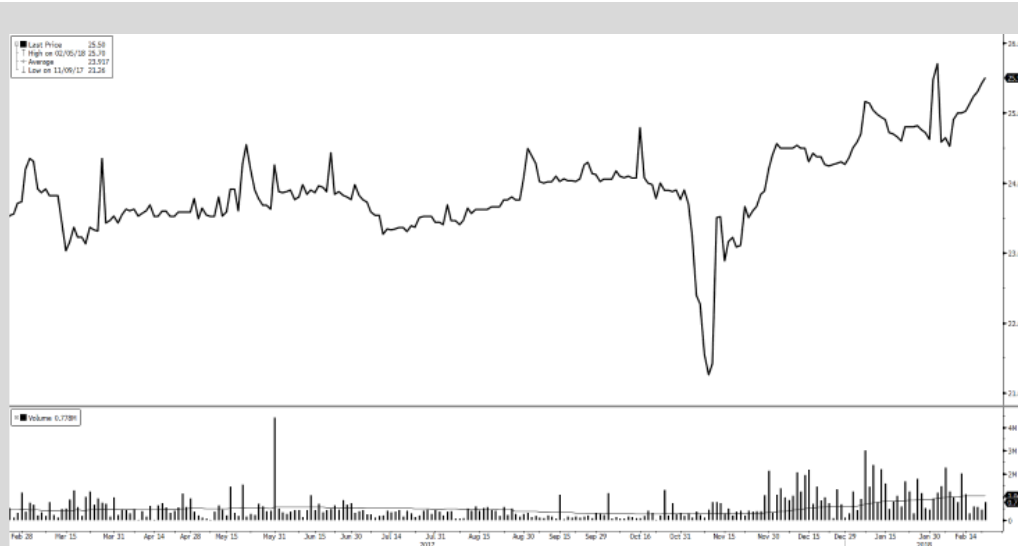


INVESTMENT STATISTICS

Income statement	2015	2016	2017F	2018F	2019F
Revenue	25,171.2	21,786.4	24,542.1	25,006.1	25,806.7
COGS	(26,265.5)	(19,827.7)	(21,658.7)	(22,058.1)	(22,503.9)
Gross Profit	2,779.9	1,958.7	2,883.5	2,947.9	3,302.8
Other income	3.8	130.0	130.4	130.8	0.0
Operating profit	1,094.3	1,214.4	1,290.6	1,338.2	1,544.9
Pretax Income	1,084.6	1,212.3	1,286.4	1,339.3	1,544.9
Tax	(290.0)	297.3	(321.6)	(334.8)	(370.8)
Reported PATANCI	819.2	944.6	1,325.2	994.4	1,150.6
Normalised PATANCI	819.2	944.6	955.2	994.4	1,150.6
Normalised EPS (sen)	79.5	95.1	96.1	100.1	115.7
PER (x)	32.1	26.8	26.5	25.5	22.0
Dividend (sen)	60.0	70.0	76.0	80.0	85.0
Dividend yield (%)	2.4	2.7	3.0	3.1	3.3

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.