

27 February 2018 | 4QFY17 Results Review

Petronas Dagangan Berhad

Special dividend announced

Maintain BUY

Unchanged Target Price (TP): RM28.00

INVESTMENT HIGHLIGHTS

- **Petronas Dagangan Bhd's (PetDag) 4QFY17 earnings grew by +7.4%yoy to exceeding RM278.6m**
- **Special dividend of 22sen and fourth interim dividend of 27sen announced**
- **Total dividend 97sen representing payout ratio of 89%**
- **Retail volume decreased whereas Commercial volume increased**
- **Maintain BUY with an unchanged TP of RM28.00 per share**

Earnings outpaced expectations. PetDag's 4QFY17 earnings grew by approximately +7.4%yoy to RM278.6m. The commendable earnings were supported by strong revenue growth of +16.4%yoy. Cumulative FY17 normalised earnings (excluding gains on disposal) expanded by approximately +15%yoy to RM1.09b, exceeding our expectations by a variance of more than >10%.

Dividends. As anticipated from the gains on disposal of the Philippines units, PetDag has proposed a special dividend of 22sen per share coupled with a fourth interim dividend of 27sen per share. The total cumulative dividend announced for FY17 is 97sen per share, representing a payout ratio of 89%.

Retail segment. Retail segment revenue and profit grew by +16.7%yoy and +26.9%yoy respectively. The surge in revenue and profit was primarily driven by average selling price increase of 23% for mogas, diesel and lubricants. The segmental growth is despite an overall contraction of -5% in volume sold and high promotional activities.

Commercial segment. Revenue for the commercial segment also staged an impressive growth of +33.4%yoy to RM12.9b. Revenue growth was driven by +3% growth in volume and +30% growth in ASPs. The expansion in volume was attributable to Jet A1, diesel and bitumen. However, profit growth tapered to +7.5%yoy due to high transportation costs.

Impact on earnings. Maintain earnings estimates at this juncture pending analyst briefing.

| RETURN STATS | |
|------------------------------|---------------|
| Price (26 February 2018) | RM25.50 |
| Target Price | RM28.00 |
| Expected Share Price Return | +8.9% |
| Expected Dividend Yield | +3.1% |
| Expected Total Return | +12.0% |

| STOCK INFO | |
|--|-------------------------|
| KLCI | 1,860.8 |
| Bursa / Bloomberg | 5681 / PETD MK |
| Board / Sector | Main / Trading Services |
| Syariah Compliant | Yes |
| Issued shares (mil) | 993.5 |
| Market cap. (RM'm) | 25,531.8 |
| Price over NA | 5.1x |
| 52-wk price Range | RM21.26 – RM25.70 |
| Beta (against KLCI) | 0.45 |
| 3-mth Avg Daily Vol | 0.30m |
| 3-mth Avg Daily Value | RM26.8m |
| 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.

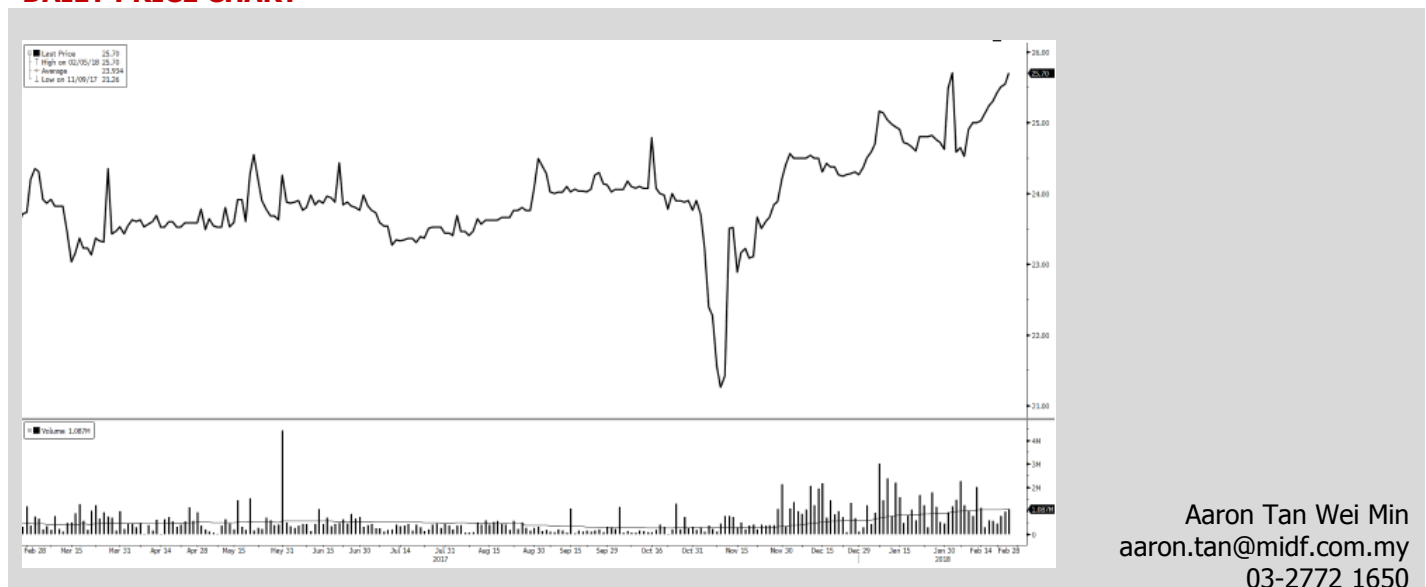


INVESTMENT STATISTICS

| Income statement | 2015 | 2016 | 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) | 32.3 | 27.0 | 26.7 | 25.7 | 22.2 |
| Dividend (sen) | 60.0 | 70.0 | 97.0 | 80.0 | 85.0 |
| Dividend yield (%) | 2.3 | 2.7 | 3.8 | 3.1 | 3.3 |

Source: MIDFR, Company

DAILY PRICE CHART



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4QFY17 Earnings Summary

| FYE Dec (RM m) | Quarterly Results | | | Cumulative | | | Comments |
|--------------------------------|-------------------|---------|---------|------------|---------|---------|---------------------------|
| | 3Q17 | QoQ (%) | YoY (%) | FY16 | FY17 | YoY (%) | |
| Revenue | 6994.9 | 4.5 | 16.4 | 21534.6 | 26737.9 | 24.2 | |
| Operating profit | 372.8 | -15.1 | 10.1 | 1190.6 | 1440.5 | 21.0 | |
| Finance cost | -3.0 | 89.7 | 134.9 | -5.5 | -6.7 | 20.8 | |
| Assoc. & JV | 1.1 | 20.7 | -179.2 | 5.3 | 4.0 | -25.1 | |
| PBT | 370.9 | -15.4 | 10.4 | 1190.4 | 1437.9 | 20.8 | |
| Tax expense | -90.9 | -12.4 | 20.3 | -294.7 | -349.9 | 18.7 | |
| PAT from continuing operations | 280.0 | -16.3 | 7.5 | 895.7 | 1087.9 | 21.5 | |
| NCI | 1.5 | 75.8 | -235.8 | 1.9 | 5.5 | 194.4 | |
| PATANCI | 278.6 | -16.5 | 7.4 | 944.6 | 1539.5 | 63.0 | Normalised profit RM1.09b |
| Revenue | | | | | | | |
| Retail | 3511.2 | 4.9 | 10.0 | 11869.2 | 13855.2 | 16.7 | Volume down 5% |
| Commercial | 3468.5 | 8.1 | 23.4 | 9643.1 | 12863.1 | 33.4 | Volume up 3% |
| Others | 5.2 | 7.1 | 28.7 | 22.3 | 19.5 | -12.4 | |
| Operating profit | | | | | | | |
| Retail | 228.2 | -11.2 | -12.0 | 660.8 | 838.3 | 26.9 | |
| Commercial | 137.7 | -6.3 | 66.6 | 531.9 | 572.1 | 7.5 | |
| Others | 7.0 | -28.2 | -72.0 | -2.1 | 30.2 | -1505.9 | |
| OP Margin (%) | | | | | | | |
| Retail | 6.5 | 0.9 | 2.9 | 5.6 | 6.1 | 0.5 | |
| Commercial | 4.0 | -0.3 | -2.3 | 5.5 | 4.4 | -1.1 | |
| Others | 135.3 | 40.6 | 135.3 | -9.6 | 154.4 | 164.0 | |

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. |