

23 August 2018 | Corporate Update

Petronas Dagangan Berhad

Earnings support from across business segments

Maintain BUY
Unchanged Target Price (TP): RM30.08

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**
- **Higher diesel volume recorded for retail segment**
- **Maintain BUY with unchanged TP of RM30.08 per share**

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


Retail segment. Segment revenue grew by +4.0%yoy premised on higher volume from Mogas and Diesel following stable prices and shifting of diesel customers from commercial to retail. However, earnings declined by -2.0%yoy due to higher spending on advertising and promotion.

Commercial segment. Similarly, commercial 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.

LPG segment. As for the LPG segment, it recorded a marginal increase of +0.4% and +0.3% for both revenue and earnings respectively attributable to higher volume against supply following the implementation of new incentive programme as well as higher demand from major customers.

Lubricant segment. Segment revenue and earnings grew by +6% and +2.0% respectively. The increase was due to higher volume as a result of higher demand.

Impact on earnings. No changes to earnings forecasts.

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 five-year rolling average PER. 

RETURN STATS	
Price (21 August 2018)	RM26.64
Target Price	RM30.08
Expected Share Price Return	+12.9%
Expected Dividend Yield	+3.2%
Expected Total Return	+16.1%

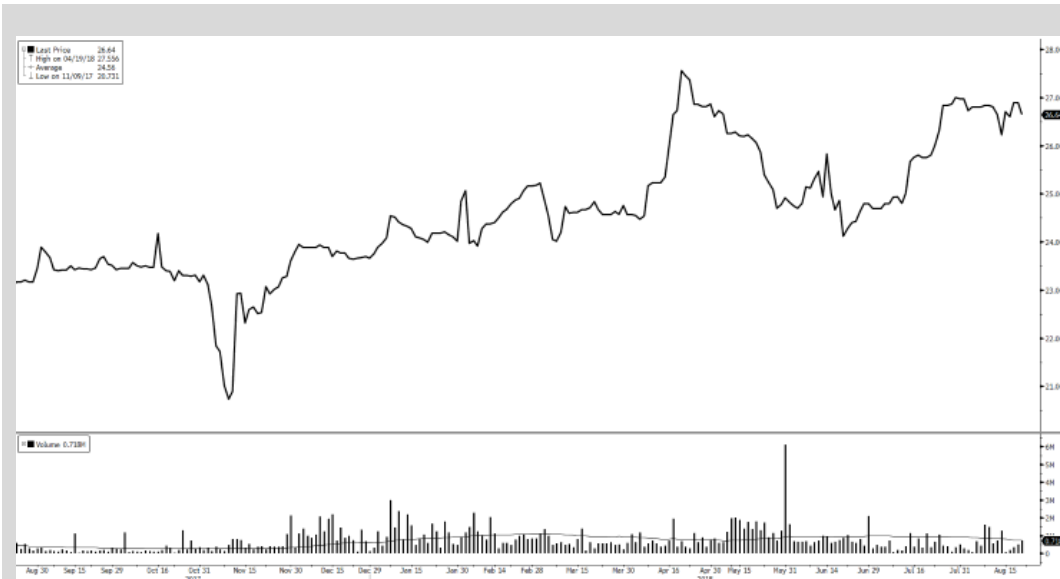
STOCK INFO	
KLCI	1,798.11
Bursa / Bloomberg	5681 / PETDAG MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	1,978.7
Market cap. (RM'm)	36,293.14
Price over NA	2.88x
52-wk price Range	RM20.80 – RM28.10
Beta (against KLCI)	0.74
3-mth Avg Daily Vol	0.78m
3-mth Avg Daily Value	RM19.9m
Major Shareholders (%)	
Petroleum Nasional Berhad	60.66
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)
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)	33.8	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



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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.