



Petronas Dagangan Berhad

(5861 | PETD MK) Consumer Products & Services | Retailers

Maintain BUY

PDB Ended FY23 Positively Albeit Higher Opex

Unchanged Target Price: RM24.91

KEY INVESTMENT HIGHLIGHTS

- **4QFY23 earnings gained +25%yoy and revenue up +6%yoy; in-line with our expectation**
- **Higher revenue due to higher sales volume, but average selling price declined**
- **All segments contributed to earnings except for the Convenience segment due to maintenance and repairs and higher opex**
- **Maintain BUY with an unchanged TP of RM24.91**

Maintain BUY, revised TP: RM24.91. Petronas Dagangan Berhad (PDB)'s 4QFY23 earnings came in within our expectations at 90% and consensus' at 94%. As such, we are maintaining a **BUY** call on PDB, with a **target price of RM24.91**.

Revenue up +6%yoy. PDB's 4QFY23 revenue gained +6.1%yoy to RM10.1b. The higher revenue was attributed to higher sales volume by +8%yoy, albeit -6%yoy decline in average selling price.

Earnings up +25%yoy. PDB's 4QFY23 earnings were up by +25.2%yoy to RM180.8m. The higher earnings were attributed to all the segments, offset by higher operating expenditures.

Retail gained from higher sales. 4QFY23 revenue rose +11.8%yoy to RM5.1b, while operational profit surged +51.2%yoy to RM176.4m. The higher revenue was attributable to higher sales volume (+8%) in line with higher demand. Higher earnings were contributed by higher gross margin from higher volumes of Mogas and Diesel sold. However, this was offset by increase in volume-related operating expenditures and once-off LPG Sarawak business disposal gain.

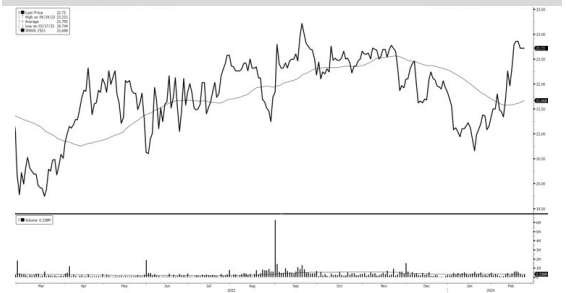
Commercial's Jet A1 saw more stable price. 4QFY23 revenue added marginally by +0.6%yoy to RM4.9b, while operational profit gained +12.6%yoy to RM143.9m. The flattish revenue was due to lower average selling price by 11% despite higher sales volume of 9%. The higher earnings were due to Jet A1 sales following stable prices' trend and increased volume. The impact, however, was offset by higher operating expenditures mainly due to increased business activities in CY23.

Convenience affected by repair and maintenance. 4QFY23 revenue was up by +17.2%yoy to RM63.9m, while operational profit declined to a deficit of -RM15.6m from a deficit of -RM7m in 4QFY22. The higher revenue was attributed to higher demand for the MESRA franchise in CY23. However, the lower earnings were mainly contributable to the increase in operating expenditure due to professional services and repair and maintenance.

RETURN STATISTICS

Price @ 26 th February 2024 (RM)	22.72
Expected share price return (%)	+9.6
Expected dividend yield (%)	+4.0
Expected total return (%)	+13.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.4	3.5
3 months	4.0	-3.6
12 months	4.1	-2.1

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	45,200	49,812	54,326
Operating Profit	1,582	1,813	1,829
Profit Before Tax	1,567	1,798	1,814
Core PATAMI	1,105	1,271	1,302
Core EPS	111.2	128.0	131.0
DPS	99.6	111.5	129.3
Dividend Yield	4.5	5.0	5.8

KEY STATISTICS

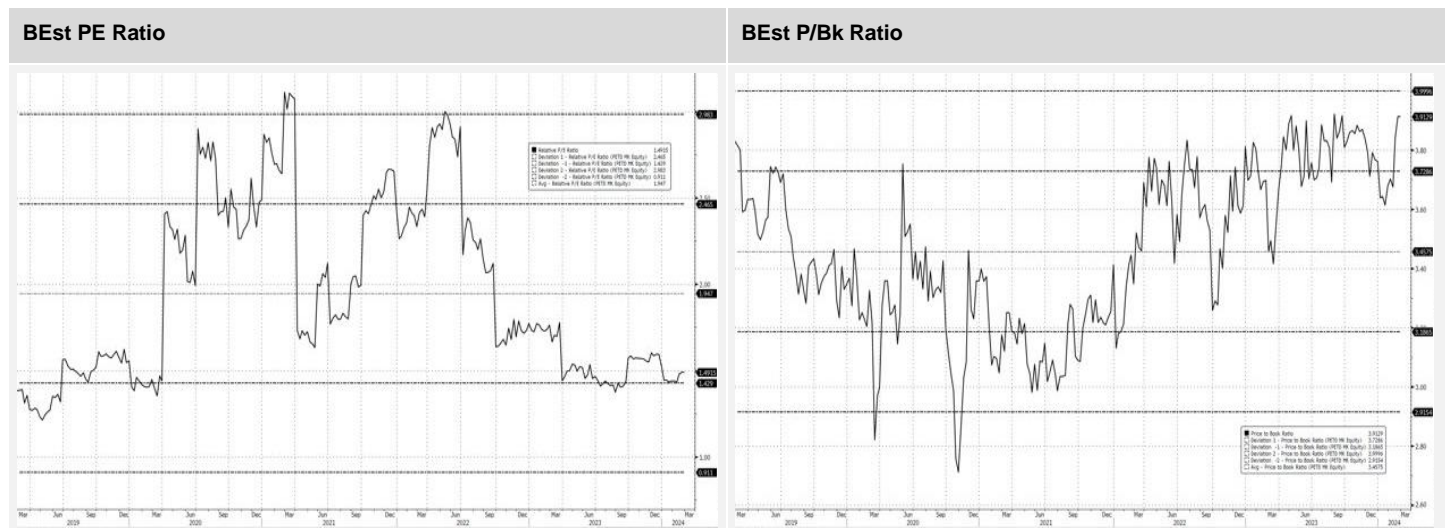
FBM KLCI	1,547.60
Issue shares (m)	993.45
Estimated free float (%)	13.11
Market Capitalisation (RM'm)	22,571.27
52-wk price range	RM20.0–RM23.6
3-mth average daily volume (m)	0.35
3-mth average daily value (RM'm)	7.62
Top Shareholders (%)	
Petroleum Nasional Bhd	63.92
Employees Provident Fund	12.53
Amanah Saham Nasional Bhd	7.84

Fuel segment to remain robust, despite external challenges. Despite the risks on inflation and geopolitical tensions, we opine that Brent crude oil would maintain elevated above USD80pb throughout CY24. As such, we reiterate our positive stance on PDB’s operations in FY24. The group has the capacity to leverage on the increased tourism and air travels, as well as the logistics sector for its fuel demand. However, we echo PDB’s concern on policy changes in CY24 – particularly the targeted subsidy initiative – in effect of its performance moving forward.

Future focus may shift to non-fuel business. We also opine that PDB’s main focus would be its non-fuel business, given that maintenance and repairs were extensive in CY23 for its many petrol stations and MESRA establishments. Additionally, PDB had been anchoring its Café Mesra brand nationwide, which underscores PDB’s commitment to enhancing customers’ experiences. On sustainability, PDB had been actively engaged in various initiatives, including solar-powering its petrol stations and increase collaboration in EV charging points. We believe these efforts would assist PDB in capitalizing on the clean energy industry and possibly add in another non-fuel revenue to its Convenience segment.

Revised FY25 earnings estimates. In consideration that PDB’s 4QFY23 earnings are within our expectations, we make no changes to our earnings estimates for FY24, as we believe PDB is in the right trajectory for FY24. However, we revised our FY25 earnings upward by +4%, in anticipation of for PDB’s growth in its Convenience segment and sustainability initiatives. Our target price of RM24.91 is based on pegging PER of 22.4x to EPS24 of 111.2sen. The PER is based on PDB’s 3-year PER.

FORWARD BAND



Source: Bloomberg, MIDFR

Table 1: Petronas Dagangan's quarterly earnings review

Financial year ending 31st December (in RM'm unless stated otherwise)	Quarterly results					Cumulative results		
	4QFY22	3QFY23	4QFY23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)
Revenue	9,498.8	9,916.0	10,075.4	1.6	6.1	36,748.9	37,549.3	2.2
Operating profit	248.0	260.9	304.7	16.8	22.9	1,148.9	1,351.1	17.6
Finance cost	(10.5)	(2.6)	(6.7)	162.4	-36.0	(25.2)	(14.6)	-42.2
Assc. & JV	4.2	3.4	(12.1)	-458.3	-392.4	11.3	(4.9)	-143.3
Profit Before Tax	241.7	261.7	285.9	9.2	18.3	1,135.0	1,331.6	17.3
Tax expense	(93.0)	(61.6)	(102.2)	65.8	9.8	(347.2)	(364.8)	5.1
PAT from continuing operations	148.6	200.0	183.7	-8.2	23.6	787.8	966.8	22.7
Non-controlling interest	4.2	15.3	2.9	-81.3	-31.5	11.2	23.7	110.8
PATANCI	144.5	184.7	180.8	-2.1	25.2	776.6	943.1	21.4
Basic EPS (sen)	0.15	0.19	18.20	9684.9	12451.7	0.78	18.97	2328.7
DPS (sen)	0.06	0.20	0.27	35.0	350.0	0.76	0.80	5.3
				+ / (-) <i>ppts</i>				+ / (-) <i>ppts</i>
Operating profit margin (%)	2.6	2.6	3.0	0.4	0.4	3.1	3.6	0.5
PBT margin (%)	2.5	2.6	2.8	0.2	0.3	3.1	3.5	0.5
PATANCI margin (%)	1.6	2.0	1.8	-0.2	0.3	2.1	2.6	0.4
Tax rate (%)	38.5	23.6	35.8	12.2	-2.7	30.6	27.4	-3.2
Segmental								
Revenue								
Retail	4,555.2	4,768.5	5,094.4	6.8	11.8	17,371.5	18,837.7	8.4
Commercial	4,889.0	5,084.0	4,917.0	(3.3)	0.6	19,156.5	18,460.6	-3.6
Convenience	54.5	63.6	63.9	0.5	17.2	220.8	251.0	13.7
Operating profit								
Retail	116.7	168.4	176.4	4.7	51.2	759.0	798.6	5.2
Commercial	127.8	80.9	143.9	77.8	12.6	349.0	524.7	50.4
Convenience	(7.0)	11.5	(15.6)	(235.9)	122.7	15.7	27.7	76.7
OP Margin (%)								
Retail	2.6	3.5	3.5	-0.1	0.9	4.4	4.2	-0.1
Commercial	2.6	1.6	2.9	1.3	0.3	1.8	2.8	1.0
Convenience	-12.8	18.0	-24.4	-42.4	-11.6	7.1	11.0	3.9

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	36,748.9	37,549.3	45,200.2	49,811.6	54,326.4
EBITDA	1,148.9	1,351.088	1,582.232	1,813.213	1,829.391
D&A	438.5	462.8	458.8	467.0	479.3
EBIT	1,135.0	1,331.6	1,566.7	1,797.6	1,814.4
Net interest	11.2	23.7	23.0	23.0	23.0
Tax	-347.2	-364.8	-438.7	-503.3	-489.9
Core PATAMI	776.6	943.1	1,105.0	1,271.3	1,301.5
Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Fixed assets	4,115.3	4,116.9	4,094.0	4,058.0	4,007.2
Intangible assets	0.5	0.1	0.5	0.3	0.3
Non-current assets	4,200.9	4,180.5	4,137.5	4,105.3	4,059.7
Cash	2,851.1	1,478.8	1,989.1	2,606.5	3,084.0
Trade debtors	4,027.9	5,634.0	5,677.3	5,911.6	6,293.3
Current assets	7,056.6	7,306.5	7,997.3	8,755.8	9,580.4
Trade creditors	5,016.7	5,356.9	5,464.7	5,615.1	5,769.7
Short-term debt	49.4	52.4	74.6	56.4	51.4
Current liabilities	5,205.8	5,440.3	5,613.6	5,744.2	5,902.6
Long-term debt	134.9	99.8	118.5	108.4	110.8
Non-current liabilities	264.3	210.0	245.9	235.6	236.4
Share capital	993.5	993.5	993.5	993.5	993.5
Retained earnings	4,749.3	4,774.9	5,190.5	5,773.5	6,370.3
Equity	5,787.4	5,836.7	6,275.7	6,881.3	7,501.1
Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	1,135.0	1,331.6	1,566.7	1,797.6	1,814.4
Depreciation & amortisation	438.5	462.8	458.8	467.0	479.3
Changes in working capital	812.7	-1,283.2	1,582.5	639.2	332.5
Operating cash flow	1,994.9	-87.2	3,239.6	2,476.0	2,216.7
Capital expenditure	-464.9	-466.9	-435.9	-431.0	-428.6
Investing cash flow	-320.793	-310.2	-341.9	-342.7	-346.8
Dividends paid	-615.9	-923.9	-689.5	-688.3	-704.7
Financing cash flow	-696.0	-984.6	-880.7	-879.5	-895.9
Net cash flow	978.049	-1,382.1	2,017.0	1,253.8	974.0
Beginning cash flow	1,882.6	2,851.1	1,478.8	1,989.1	2,606.5
Ending cash flow	2,851.1	1,478.8	1,989.1	2,606.5	3,084.0
Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBITDA margin	3.1%	3.6%	3.5%	3.6%	3.4%
PBT margin	3.1%	3.5%	3.5%	3.6%	3.3%
Core PAT margin	2.1%	2.5%	2.4%	2.6%	2.4%

Source: Bloomberg, 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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology