



## Petronas Dagangan Berhad

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

**Maintain BUY**

### 1QFY24 Earnings Lower from Higher Opex, Product Costs

**Unchanged Target Price: RM24.91**

#### KEY INVESTMENT HIGHLIGHTS

- **1QFY24 earnings down -25%yoy though revenue up +9%yoy, in-line with our expectation**
- **Higher revenue lifted by higher sales volume and ASP. However, earnings declined due to higher product costs and opex**
- **All segments contributed to the lower earnings, but sales higher for Retail and Convenience segments**
- **Maintain BUY with TP of RM24.91**

**Maintain BUY, revised TP: RM24.91.** Petronas Dagangan Berhad (PDB)'s 1QFY24 earnings came in within our expectations at 20% and consensus at 23%. As such, we are maintaining a **BUY** call on PDB, with an unchanged **target price of RM24.91**.

**Revenue up +9%yoy.** PDB's 1QFY24 revenue gained +8.6%yoy to RM9.39b. The higher revenue was driven by +7% sales volume growth, as well as a +2% increase in average selling price.

**Earnings down -25%yoy.** PDB's 1QFY24 earnings slipped -25.1%yoy to RM226m. The lower earnings were attributed to higher product costs and operating expenditures (opex). Nevertheless, we expect that earnings will improve in the remaining quarters especially in 2Q and 3Q mainly due to aviation.

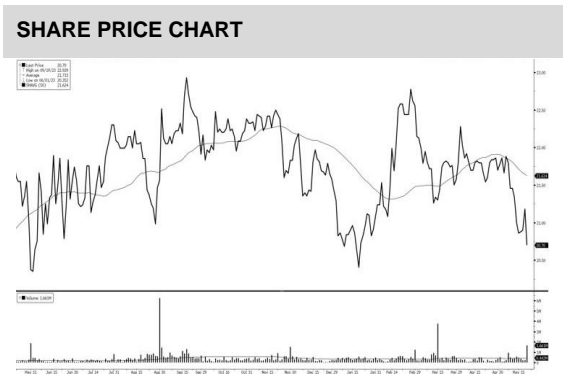
**Retail gained from higher sales volume.** 1QFY24 revenue rose +14.4%yoy to RM5.05b, while operational profit declined -5.5%yoy to RM215.3m. Higher sales volume (+13%) in tandem with increase in demand. However, volume-related opex dragged earnings downwards, despite favourable MOPS price trend and higher volume sold.

**Commercial burdened by higher cost and opex.** 1QFY24 revenue added +2.5%yoy to RM4.28b, while operational profit dropped -24.7%yoy to RM120.7m. Higher revenue was contributed to higher average selling prices by +6%, offset by lower sales volume by -3%. Meanwhile, higher product costs and higher opex, in line with increased business activities.

**Convenience store earnings back to the black.** 1QFY24 revenue was up by +9.3%yoy to RM69.5m, while operational profit declined -62%yoy to RM7.2m. Nonetheless, this was a vast improvement from a deficit of -RM15.6m in 4QFY23. The higher revenue was attributed to higher demand and higher sales for Kedai Mesra and Café Mesra. However, the lower earnings were mainly attributed to higher opex.

**Inflation a risk on operation and product costs.** 1QCY24 saw Brent crude oil averaging at USD85pb, a +3.5%yoy increase compared to 1QCY23. Despite the higher pricing, demand growth for oil had been volatile, most notably in China, but the heightened geopolitical tensions in the Middle East and OPEC+'s prolonged production cuts into 2QCY24 continued to tighten oil supply, subsequently balanced the average crude oil price to favour PDB's sales volume.

RETURN STATISTICS	
Price @ 21 <sup>st</sup> May 2024 (RM)	20.70
Expected share price return (%)	+20.3
Expected dividend yield (%)	+4.5
<b>Expected total return (%)</b>	<b>+24.8</b>



Price performance (%)	Absolute	Relative
1 month	-4.4	-8.8
3 months	-4.1	-13.3
12 months	-8.4	-19.3

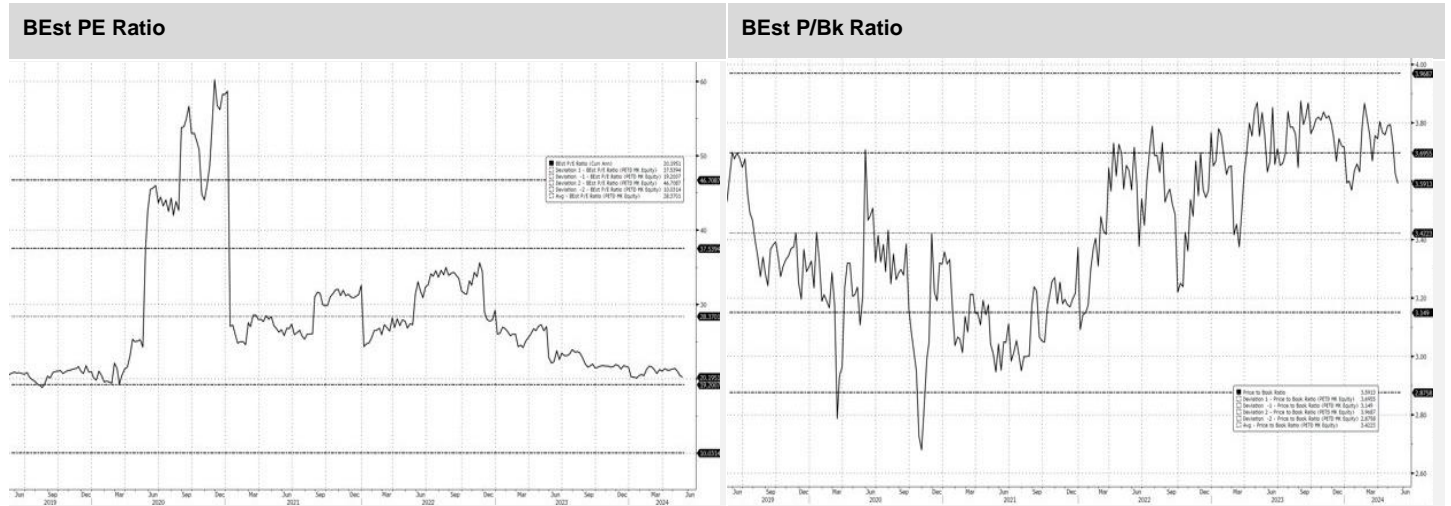
INVESTMENT STATISTICS			
FYE Dec	2024E	2025F	2026F
Revenue	45,200	49,812	54,326
Operating Profit	1,582	1,813	1,829
Profit Before Tax	1,567	1,798	1,814
Core PATAMI	1,105	1,271	1,302
Core EPS	111.2	128.0	131.0
DPS	99.6	111.5	129.3
Dividend Yield	4.5	5.0	5.8

KEY STATISTICS	
FBM KLCI	1,622.09
Issue shares (m)	993.45
Estimated free float (%)	14.03
Market Capitalisation (RM'm)	20,564.50
52-wk price range	RM20.4–RM23.6
3-mth average daily volume (m)	0.43
3-mth average daily value (RM'm)	9.33
Top Shareholders (%)	
Petroleum Nasional Bhd	63.92
Employees Provident Fund	12.23
Amanah Saham Nasional Bhd	7.66

**Strong GDP numbers and stable oil price provide optimism.** All in all, we remain positive on PDB’s FY24 performance following anticipated strong GDP growth and aviation sector recovery in CY24. We also remain vigilant about inflationary pressures in the market that could subsequently impact PDB’s product costs and operating expenditure in the near term. We expect Brent crude price to average USD85-88pb in 2QCY24, barring any escalations in the Middle East front.

**No changes to earnings estimates.** At this juncture, we make no changes to our earnings estimates. We maintain our BUY call on PDB with a target price of RM24.91. The target price 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		
	1QFY23	4QFY23	1QFY24	QoQ (%)	YoY (%)	3MFY23	3MFY24	YoY (%)
Revenue	8,645.5	10,075.4	9,393.1	-6.8	8.6	8,645.5	9,393.1	8.6
<b>Operating profit</b>	<b>407.0</b>	<b>304.7</b>	<b>343.2</b>	12.6	-15.7	<b>407.0</b>	<b>343.2</b>	-15.7
Finance cost	(2.7)	(6.7)	(2.3)	-65.2	-12.8	(2.7)	(2.3)	-12.8
Assc. & JV	4.5	(12.1)	(14.1)	15.8	-411.7	4.5	(14.1)	-411.7
<b>Profit Before Tax</b>	<b>408.9</b>	<b>285.9</b>	<b>326.8</b>	14.3	-20.1	<b>408.9</b>	<b>326.8</b>	-20.1
Tax expense	(102.5)	(102.2)	(93.9)	-8.2	-8.4	(102.5)	(93.9)	-8.4
<b>PAT from continuing operations</b>	<b>306.4</b>	<b>183.7</b>	<b>232.9</b>	26.8	-24.0	<b>306.4</b>	<b>232.9</b>	-24.0
Non-controlling interest	4.5	2.9	6.9	139.4	51.4	4.5	6.9	51.4
<b>PATANCI</b>	<b>301.8</b>	<b>180.8</b>	<b>226.0</b>	25.0	-25.1	<b>301.8</b>	<b>226.0</b>	-25.1
Basic EPS (sen)	0.30	18.20	0.23	-98.7	-25.0	0.30	0.23	-25.0
DPS (sen)	0.15	0.27	0.18	-33.3	20.0	0.15	0.18	20.0
				<i>+ / (-) ppts</i>				<i>+ / (-) ppts</i>
Operating profit margin (%)	4.7	3.0	3.7	0.6	(1.1)	4.7	3.7	-1.1
PBT margin (%)	4.7	2.8	3.5	0.6	(1.3)	4.7	3.5	-1.3
PATANCI margin (%)	3.5	1.8	2.5	0.7	(1.1)	3.5	2.5	-1.1
Tax rate (%)	25.1	35.8	28.7	(7.0)	3.7	25.1	28.7	3.7
<b>Segmental</b>								
<b>Revenue</b>								
Retail	4,409.7	5,094.4	5,046.6	(0.9)	14.4	4,409.7	5,046.6	14.4
Commercial	4,172.1	4,917.0	4,277.0	(13.0)	2.5	4,172.1	4,277.0	2.5
Convenience	63.6	63.9	69.5	8.8	9.3	63.6	69.5	9.3
<b>Operating profit</b>								
Retail	227.9	176.4	215.3	22.0	(5.5)	227.9	215.3	-5.5
Commercial	160.3	143.9	120.7	(16.1)	(24.7)	160.3	120.7	-24.7
Convenience	18.9	(15.6)	7.2	(146.0)	(62.0)	18.9	7.2	-62.0
<b>OP Margin (%)</b>								
Retail	5.2	3.5	4.3	0.8	-0.9	5.2	4.3	-0.9
Commercial	3.8	2.9	2.8	-0.1	-1.0	3.8	2.8	-1.0
Convenience	29.6	-24.4	10.3	34.7	-19.3	29.6	10.3	-19.3

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
<b>Non-current assets</b>	<b>4,200.9</b>	<b>4,180.5</b>	<b>4,137.5</b>	<b>4,105.3</b>	<b>4,059.7</b>
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
<b>Current assets</b>	<b>7,056.6</b>	<b>7,306.5</b>	<b>7,997.3</b>	<b>8,755.8</b>	<b>9,580.4</b>
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
<b>Current liabilities</b>	<b>5,205.8</b>	<b>5,440.3</b>	<b>5,613.6</b>	<b>5,744.2</b>	<b>5,902.6</b>
Long-term debt	134.9	99.8	118.5	108.4	110.8
<b>Non-current liabilities</b>	<b>264.3</b>	<b>210.0</b>	<b>245.9</b>	<b>235.6</b>	<b>236.4</b>
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
<b>Equity</b>	<b>5,787.4</b>	<b>5,836.7</b>	<b>6,275.7</b>	<b>6,881.3</b>	<b>7,501.1</b>
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
<b>Operating cash flow</b>	<b>1,994.9</b>	<b>-87.2</b>	<b>3,239.6</b>	<b>2,476.0</b>	<b>2,216.7</b>
Capital expenditure	-464.9	-466.9	-435.9	-431.0	-428.6
<b>Investing cash flow</b>	<b>-320.793</b>	<b>-310.2</b>	<b>-341.9</b>	<b>-342.7</b>	<b>-346.8</b>
Dividends paid	-615.9	-923.9	-689.5	-688.3	-704.7
<b>Financing cash flow</b>	<b>-696.0</b>	<b>-984.6</b>	<b>-880.7</b>	<b>-879.5</b>	<b>-895.9</b>
<b>Net cash flow</b>	<b>978.049</b>	<b>-1,382.1</b>	<b>2,017.0</b>	<b>1,253.8</b>	<b>974.0</b>
<b>Beginning cash flow</b>	<b>1,882.6</b>	<b>2,851.1</b>	<b>1,478.8</b>	<b>1,989.1</b>	<b>2,606.5</b>
<b>Ending cash flow</b>	<b>2,851.1</b>	<b>1,478.8</b>	<b>1,989.1</b>	<b>2,606.5</b>	<b>3,084.0</b>
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