

22 May 2018 | Briefing Note

Petronas Dagangan Berhad

Market de-growth a challenge

Maintain BUY

Unchanged Target Price (TP): RM28.00

INVESTMENT HIGHLIGHTS

- **Petronas Dagangan Bhd's (PetDag) 1QFY18 reported earnings declined -13.7%yoy**
- **Sales volume declined by -4%qoq while ASP increased by +3%qoq**
- **Lower diesel volume recorded for both retail and commercial segments**
- **Maintain BUY with an unchanged TP of RM28.00 per share**

Earnings in-line with forecasts. To recap, Petronas Dagangan Bhd's 1QFY18 reported profit declined by -13.7%yoy to RM218.5m. On a quarterly sequential basis, revenue is supported by higher average selling price of +3%yoy offset by lower sales volume of -4%yoy. 3MFY18 earnings came in within our full year FY18 estimates at 22%, but fell short of consensus full year estimates by a variance of -5%. The lower year-over-year earnings and tapering sales volume is within our expectations.

Retail segment. Segment revenue declined both y-o-y (-1%) and q-o-q (-0.7%) premised on sales volume declines of -3%yoy and -1%qoq. Lower sales volume is visible across the market due to market de-growth and closure of stations.

Commercial segment. On the contrary, commercial segment recorded an increase of +11%yoy attributable to sales volume increase of +8%yoy. This is largely attributable to higher fuel oil and sulphur from higher bunker sales.

LPG segment. Revenue increased by +5%yoy attributable to a +6% increase in sales volume. The increase is premised on the implementation of new incentive programmes and higher demand from major customers.

Lubricant segment. Segment revenue and sales volumes declined by -2%yoy and -7%yoy respectively. The declines are a result of lower market demand.

Sales volume expected to remain challenging. Moving forward into this year, the sales volume is expected to remain challenging from market de-growth as well as closure of stations for refurbishment activities.

RETURN STATS	
Price (21 May 2018)	RM26.20
Target Price	RM28.00
Expected Share Price Return	+6.9%
Expected Dividend Yield	+3.0%
Expected Total Return	+9.9%

STOCK INFO	
KLCI	1,853.58
Bursa / Bloomberg	5681 / PETD MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	993.5
Market cap. (RM'm)	26,108.0
Price over NA	5.1x
52-wk price Range	RM20.84 – RM27.70
Beta (against KLCI)	0.58
3-mth Avg Daily Vol	0.8m
3-mth Avg Daily Value	RM20.7m
Major Shareholders (%)	
Petroliam Nasional Berhad	69.86
Permodalan Nasional Bhd and its associated funds	9.51
Employees Provident Fund	3.84

Impact on earnings. No changes to earnings forecasts.

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.

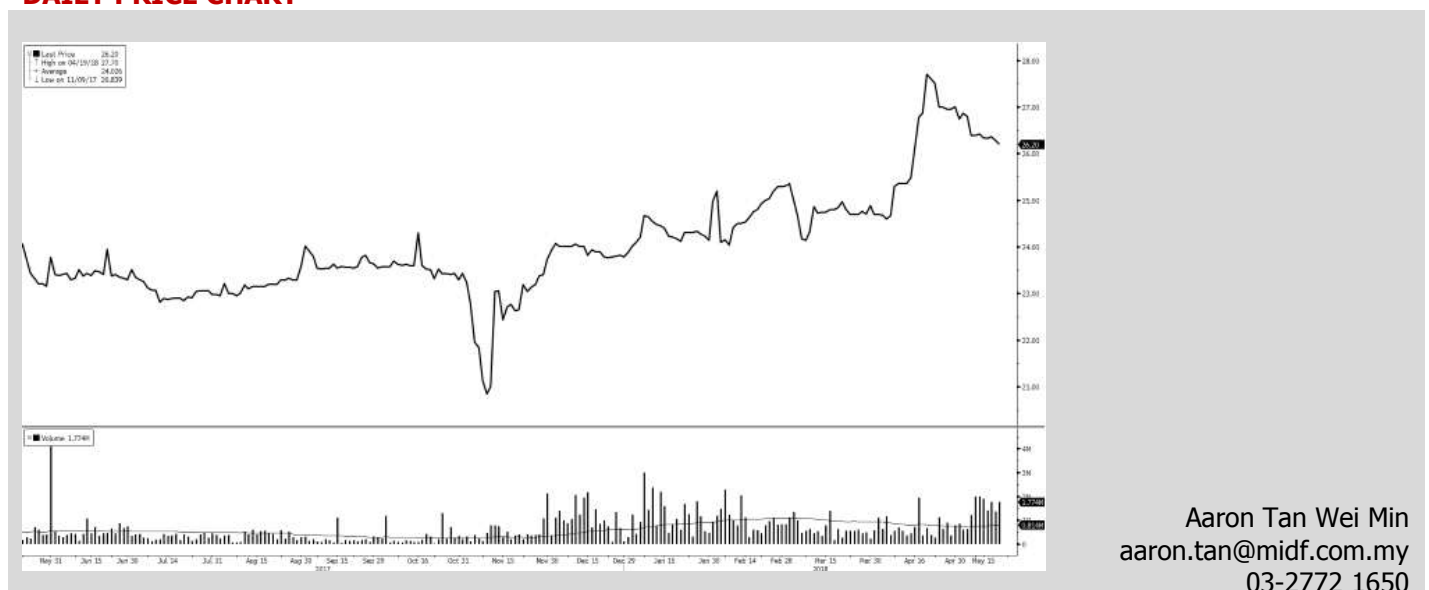


INVESTMENT STATISTICS

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)	33.1	27.7	27.3	26.3	22.7
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, 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.