Corporate Update

Petronas Dagangan Berhad

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

4 Stars | SHARIAH Compliant | FTSE4Good

Maintain **BUY**

Revised Target Price **RM22.25** (from RM24.63)

Higher Fuel Demand Boosted FY24 Earnings

Maintain BUY. Petronas Dagangan Bhd's (PTD) FY24 earnings came in within our expectations at 98%, and consensus at 96%. As such, we maintain our BUY call for PTD. We revised the target price from RM24.63 to RM22.25 to accommodate the FY24 results.

Normalised PATAMI up +15%yoy. FY24 normalised PATAMI added +14.9%yoy to RM1.0b, while revenue saw a small rise of +1.1%yoy to RM38.0b. This is driven by +3% sales volume growth, despite -2% decrease in overall average selling prices.

Higher demand for Mogas. Retail segment saw FY24 revenue gaining +7.3%yoy to RM20.2b, attributable to higher sales volume of 4%, in tandem with the increase in demand and improved average selling prices by 3%. Meanwhile, earnings increased by +10.8%yoy to RM884.6m, due to higher profit from Mogas, which is in line with the favourable market conditions and improved volume demand. This is partially offset by higher expenditure contributed by increased volume.

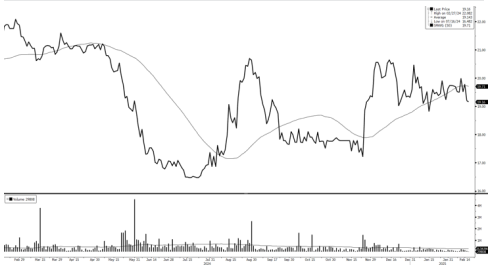
Jet A1 and Diesel saw higher uptake. Commercial segment's FY24 revenue slipped by -5.6%yoy to RM17.4b, due to lower average selling prices by -7% and flattish sales volume. Conversely, earnings were up by +16.6%yoy to RM611.8m, contributed by: (i) improved demand for Jet A1 and Diesel, favourable MOPS prices trend, and (iii) positive market environment. These are, however, offset by higher expenditure, which was in line with the growth in business activities.

Increased sales from PETRONAS and Mesra brands. The Convenience segment saw an increase in FY24 revenue by +22.4%yoy to RM307.3m, driven by higher demand for PETRONAS shop merchandise, Kedai Mesra and Café Mesra. Likewise, earnings came in higher by +86.5yoy to RM51.7m, attributable to the higher profit from chargeable sales, offset by higher expenditures.

Prospects sanguine for domestic consumption. PTD is expected to remain resilient on the strength of an anticipated robust local economy, which is supported by: (i) increased consumer spending, (ii) advancement of national development plans, and (iii) improved demand for Mogas, Jet A1 and Diesel. However, we also anticipate headwinds, following global tariffs and sanctions, as well as lower Brent crude oil prices (YTD25: USD78pb, -2.5% from CY24 average) due to geopolitical uncertainties. This may impact the local economy, subsequently affecting fuel consumption. However, PTD had the expertise and strategy to mitigate these risks, with the support of government policies and incentives, as well as the strong fundamentals of other industries such as aviation, automotive and consumer to spillover for Mogas, Jet A1 and Diesel consumption in the long term.

RETURN STATISTICS	
Price @ 20th Feb 2025 (RM)	19.26
Expected share price return (%)	+15.5
Expected dividend yield (%)	+6.0
Expected total return (%)	+21.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.7	-2.7
3 months	-0.3	8.5
12 months	-13.6	-16.3

INVESTMENT STATISTICS

FYE Dec (Rm'm)	2025E	2026F	2027F
Revenue	38,851	39,755	40,764
EBIT	1,687	1,758	1,886
PBT	1,675	1,741	1,868
Core PATAMI	1,123	1,177	1,267
Core EPS	117.4	122.5	131.5
DPS	109.1	118.6	125.3
Dividend Yield (%)	6.0	6.5	6.8

KEY STATISTICS

FBM KLCI	1,577.67
Issue shares (m)	993.45
Estimated free float (%)	26.27
Market Capitalisation (RM'm)	19,133.92
52-wk price range	RM16.7 - RM23.0
3-mth average daily volume (m)	0.27
3-mth average daily value (RM'm)	5.04
Top Shareholders (%)	
Petroliam Nasional Bhd	63.92
Employees Provident Fund Board	12.42
Amanah Saham Nasional Bhd	7.66

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Revised earnings estimates. In consideration that FY24 earnings within expectations, we maintain our FY25 earnings forecast. However, we revised FY26 and FY27 downwards by -10% and -15% respectively. This revision considers the FY24 results, in addition to normalising the forecast based on current market conditions. This is pending further guidance from the group in their upcoming results briefing.

Revised TP to RM22.25. Likewise, we revised our target price to RM22.25 from RM24.63, pegging on a PER of 19x to the EPS25 of 117.4sen. The new PER used is derived from PTD's average 1-Y PER. Previously, a PER of 21.8x (+1 SD) was used in the expectation that oil prices would sustain above USD80pb, consequently improving profit margins for PTD. Coming into CY25, Brent is highly likely to remain rangebound in USD70-80pb, due to expected global trade disruptions, geopolitical uncertainties and OPEC+'s future production revision. However, we expect the domestic demand will continue to improve, on the back of higher travel demand (domestic and overseas), increased consumer spending and continuous government support for the fuel retail sector. Hence, we maintain our BUY call for PTD.

PETRONAS DAGANGAN'S 4QFY24 RESULTS REVIEW

FYE Dec (RM'm)	Quarterly					Cumulative		
	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Revenue	10,075.4	9,727.0	8,992.7	-7.5	-10.7	37,549.3	37,950.8	1.1
Operating profit	304.7	443.8	359.6	-19.0	18.0	1,351.1	1,548.1	14.6
Finance cost	(6.7)	(2.5)	(6.1)	143.4	-9.7	(14.6)	(13.1)	-10.3
Assc. & JV	(12.1)	4.7	8.3	77.8	-168.3	(4.9)	(4.4)	-9.9
Profit Before Tax	285.9	446.0	361.8	-18.9	26.6	1,331.6	1,530.7	14.9
Tax expense	(102.2)	(105.9)	(101.4)	-4.2	-0.7	(364.8)	(414.0)	13.5
PAT	183.7	340.1	260.3	-23.4	41.7	966.8	1,116.6	15.5
Non-controlling interest	2.9	4.9	11.3	129.1	293.8	23.7	30.0	26.6
PATANCI	180.8	335.1	249.1	-25.7	37.7	943.1	1,086.6	15.2
Normalised PATANCI	160.6	320.0	242.3	-24.3	50.8	905.4	1,040.3	14.9
Basic EPS (sen)	18.20	0.34	0.25	-25.5	-98.6	18.97	1.09	-94.2
DPS (sen)	0.27	0.24	0.45	87.5	66.7	0.80	1.07	33.8
				+/(-) ppts	+/(-) ppts			+/(-) ppts
PBT margin (%)	2.8	4.6	4.0	(0.6)	1.2	3.5	4.0	0.5
PATANCI margin (%)	1.8	3.5	2.9	(0.6)	1.1	2.6	2.9	0.4
Norm PATANCI margin (%)	1.6	3.3	2.7	(0.6)	1.1	2.4	2.7	0.3
Tax rate (%)	35.8	23.8	28.0	4.3	(7.7)	27.4	27.0	-0.3
PBT margin (%)	2.8	4.6	4.0	(0.6)	1.2	3.5	4.0	0.5
Segmental Revenue:								
Retail	5,094.4	5,111.2	4,862.5	(4.9)	(4.6)	18,837.7	20,208.7	7.3
Commercial	4,917.0	4,538.9	4,043.5	(10.9)	(17.8)	18,460.6	13,391.3	-27.5
Convenience	63.9	76.9	86.7	12.7	35.7	251.0	220.5	-12.2
Segmental Operating Profit:								
Retail	176.4	223.7	217.9	(2.6)	23.5	798.6	884.6	10.8
Commercial	143.9	205.6	120.9	(41.2)	(16.0)	524.7	611.8	16.6
Convenience	(15.6)	14.5	20.7	43.2	(233.1)	27.7	51.7	86.5
				+/(-) ppts	+/(-) ppts			+/(-) ppts
OP margin %								
Retail	3.5	4.4	4.5	0.1	1.0	4.2	4.4	0.1
Commercial	2.9	4.5	3.0	-1.5	0.1	2.8	4.6	1.7
Convenience	-24.4	18.8	23.9	5.1	48.3	11.0	23.5	12.4

Source: Company, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	37,549	37,951	38,851	39,755	40,764
EBIT	1,351.1	1,548.1	1,686.7	1,758.0	1,885.6
PBT	1,331.6	1,530.7	1,674.8	1,740.8	1,867.5
Taxation	-364.8	-414.0	-478.4	-494.0	-530.3
PAT	966.8	1,116.6	1,196.4	1,246.8	1,337.2
MI	23.7	30.0	30.0	30.0	30.0
PATAMI	943.1	1,086.6	1,166.4	1,216.8	1,307.2
Core PATAMI	905.4	1,040.3	1,123.3	1,176.8	1,267.2
EPS (sen)	94.9	109.4	117.4	122.5	131.5
PER (x)	23.4	20.3	19.0	18.2	16.9
DPS (sen)	80.0	107.0	109.1	118.6	125.3
Dividend yield (%)	4.4	5.8	6.0	6.5	6.8

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	1331.6	1530.7	1674.8	1740.8	1867.5
Depreciation	462.8	475.2	488.9	494.0	505.2
OP pre-WC changes	1693.0	1889.1	2071.7	2127.1	2241.7
Change in NWC	-1780.2	-119.9	-310.5	-261.3	-276.6
Operating cash flow	**-87.2**	**1769.2**	**1761.1**	**1865.8**	**1965.1**
Capital expenditure	-466.9	-375.5	-441.5	-473.6	-505.0
Investing cash flow	**-310.2**	**-211.7**	**-292.0**	**-314.6**	**-327.5**
Debt raised/(repaid)	-50.4	-57.6	-62.0	-54.8	-52.4
Dividends paid	-923.9	-884.2	-836.2	-850.1	-891.4
Financing cash flow	**-984.6**	**-950.5**	**-1007.3**	**-1088.8**	**-1202.9**
Net cash flow	**-1382.1**	**607.0**	**461.9**	**462.3**	**434.7**
Beginning cash flow	**2851.0**	**1478.8**	**1989.1**	**2411.0**	**2833.3**
Ending cash flow	**1478.8**	**1989.1**	**2411.0**	**2833.3**	**3228.1**

Growth (%)	2023A	2024A	2025E	2026F	2027F
Revenue growth	2.1	1.1	2.4	2.3	2.5
PBT growth	17.3	14.9	9.4	3.9	7.3
PATAMI growth	19.7	15.2	7.3	4.3	7.4
Core PATAMI growth	16.6	14.9	8.0	4.8	7.7

Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
EBIT margin	3.6	4.1	4.3	4.4	4.6
PBT margin	3.5	4.0	4.3	4.4	4.6
PATAMI margin	2.5	2.9	3.0	3.1	3.2
Core PATAMI margin	2.4	2.7	2.9	3.0	3.1
ROA	7.9	9.4	9.3	8.8	9.0
ROE	15.5	17.1	17.1	16.9	17.4

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
PPE	4,116.9	3,995.3	4,015.5	4,024.3	4,032.3
ROU assets	61.5	55.6	66.7	84.2	110.4
Non-current assets	**4,180.5**	**4,053.2**	**4,084.7**	**4,111.0**	**4,145.2**
Trade receivables	5,634.0	4,763.5	5,304.9	6,184.7	6,467.9
Cash & bank balances	1,507.1	2,114.1	2,411.0	2,833.3	3,228.1
Current assets	**7,306.5**	**7,062.5**	**8,000.5**	**9,236.4**	**9,901.0**
Long-term debt	99.8	95.2	96.5	100.6	104.0
Non-current liabilities	**210.0**	**213.3**	**218.4**	**222.2**	**224.2**
Short-term debt	52.4	12.8	27.3	28.8	31.6
Trade payables	5,356.9	4,732.3	5,153.1	5,980.6	6,346.9
Current liabilities	**5,440.3**	**4,833.2**	**5,289.4**	**6,157.2**	**6,550.0**
Share capital	993.5	993.5	993.5	993.5	993.5
Reserves	4,774.9	4,977.4	5,307.6	5,674.4	6,090.3
Equity	**5,836.7**	**6,069.2**	**6,577.4**	**6,968.1**	**7,272.0**

Liquidity Ratios (x)	2023A	2024A	2025E	2026F	2027F
Current ratio	1.3	1.5	1.5	1.5	1.5
Quick ratio	0.3	0.5	0.5	0.5	0.5

Leverage Ratios (x)	2023A	2024A	2025E	2026F	2027F
Debt-to-equity	1.0	0.8	0.8	0.9	0.9
Interest coverage	92.7	118.5	114.6	111.0	108.2

Efficiency Ratios (days)	2023A	2024A	2025E	2026F	2027F
Cash conversion cycle	4	2	4	4	3
DIO	1	2	3	2	2
DSO	55	46	50	57	58
DPO	52	46	48	55	57

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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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