Corporate Update

Dialog Group Berhad

(7277 | DLG MK) Energy | Energy Infrastructure, Equipment & Services

ESG 3 Stars

SHARIAH Compliant

Maintain **NEUTRAL**

Revised Target Price **RM1.85** (from RM1.90)

Impact of Impairment Dragged Earnings

Maintain NEUTRAL. Dialog Group Bhd (Dialog)'s 9MFY25 earnings came in below at 50% of our and 45% of consensus' yearly forecast for FY25. We maintain our NEUTRAL call and revise our target price to RM1.85 (previously RM1.90) following our earnings forecast adjustment.

Revenue down -19%yoy. 9MFY25 revenue dropped by -19%yoy to RM1.89b. This was due to reduced business in international front following the divestment of Dialog Jubail Supply Base, as well as lower realised oil price. However, this was partially offset by higher activities in the Malaysia front, notably in upstream and midstream. Dialog also reported higher tank storage occupancy and increased tariff rates for its terminals, subsequently translates to a robust production volume.

Core earnings down -113%yoy. 9MFY25 normalised earnings slipped into a loss of -RM59m. This was due to the impact of the impairment incurred in 2QFY25, which was the one-off impairment of investments in petrochemical and renewable projects. EPCC projects overruns also continue to drag the earnings. Without the impairment, earnings stood at RM156m (-63%yoy), which was over the guidance of RM120m-150m by the group.

Impact of impairment, unfavourable forex. The drag from Downstream continues to influence Dialog's performance. The divestment from its petrochemical plants and renewable energy projects – both in total of RM135m, remains a setback to its performance. While it was expected to be a one-off, the impact may last until the start of FY26. Additionally, the realised forex losses is expected to continue affecting its joint ventures and associates, as uncertainties in the global economy continue to look for the group's international subsidiaries.

Focus on Upstream and Midstream. Moving forward, Dialog is expected to focus on the Upstream and Midstream segments. The Upstream will be overseeing the development of the Baram Junior Cluster (expected operational date: 3QFY27) and the pre-development of RAJA Cluster (3QFY28). Meanwhile, the Midstream is expected to progress well, given the following projects: (i) 24kcbm renewable tank (expected operational date: 3QFY25), (ii) 150kcbm renewable tank (1QFY27) and (iii) LNG air separation unit (2QFY27). Additionally, the group shared the potential pipeline for the Midstream, which includes the expansion of tank terminals for biorefinery and aromatics, and new terminals in Phase 3, as well as the completed RM250m fabrication facilities in Pengerang to facilitate various sectors for technical and fabrication solutions.

Revised earnings estimates. Given the lower than expectation earnings, we revise our earnings forecast for FY25-27 downwards by -73%/-11%/-7% respectively. This is also considering the lower crude oil prices and the slower recovery of the petrochemical subsector in FY25-26, in addition to the uncertainties of global economy following the ongoing trade tariffs.

RETURN STATISTICS	
Price @ 15th Feb 2025 (RM)	1.77
Expected share price return (%)	+4.5
Expected dividend yield (%)	+1.5
Expected total return (%)	+6.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	36.2	28.7
3 months	14.9	14.1
12 months	-27.8	-26.4

INVESTMENT STATISTICS

FYE June (Rm'm)	2025E	2026F	2027F
Revenue	2,590	2,740	2,836
EBIT	160	285	331
PBT	337	461	508
Core PATAMI	117	475	506
Core EPS	5.2	8.0	8.6
DPS	2.0	2.8	3.0
Dividend Yield (%)	1.1	1.5	1.6

KEY STATISTICS

FBM KLCI	1573.02
Issue shares (m)	5642.69
Estimated free float (%)	75.60
Market Capitalisation (RM'm)	9987.55
52-wk price range	RM1.13 - RM2.64
3-mth average daily volume (m)	15.32
3-mth average daily value (RM'm)	22.77
Top Shareholders (%)	
EPF	16.72
Kumpulan Wang Persaraan	10.58
Wide Synergy Sdn Bhd	8.09

Analyst

MIDF Research

research@midf.com.my

03-2173 8396

Maintain NEUTRAL with TP: RM1.85. At this juncture, we maintain our **NEUTRAL** call with a revised **target price of RM1.85** (previously RM1.90), pending further guidance from the group. The target price is derived by pegging a PER of 23x to a revised EPS26 of 8.0sen. The PER used is Dialog's 5Y average PER of 24x, discounted by SD-1.

We opine that the target price is fair, given the reduced revenue in Downstream and the uncertainties on the forex trajectory in FY25, following the ongoing trade tariffs and volatile oil prices. Nevertheless, we remain positive on Dialog's long-term ventures, notably in the Upstream and Midstream segments. We believe that with the Brent crude oil expected to hover in a stable rangebound of USD60-70pb, coupled with the increased global oil production and inventory, the two segments are anticipated to remain stable in the mid to long term. However, the downside risks remain on the unpredictable changes within the global economy, subsequently influencing forex, petroleum product and feedstock prices and overall supply chain including raw materials and workforce availability.

DIALOG'S 3QFY25 RESULTS REVIEW

FYE June (RM'm)	Quarterly					Cumulative		
	3Q24	2Q25	3Q25	QoQ (%)	YoY (%)	9M24	9M25	YoY (%)
Revenue	702.2	680.0	578.8	(14.9)	(17.6)	2,341.9	1,893.3	-19.2
Operating Expenses	(618.9)	(822.5)	(504.2)	(38.7)	(39.9)	(2,090.3)	(1,914.4)	-8.4
Other Operating Income	48.5	31.8	15.7	(50.7)	(39.3)	80.8	51.9	-35.8
JCE	59.3	7.6	74.7	878.3	26.0	225.9	200.1	-11.4
Finance Costs	(13.0)	(12.2)	(11.2)	(8.5)	(14.0)	(49.9)	(36.2)	-27.4
Profit Before Tax	178.0	(115.3)	153.8	(233.4)	(13.6)	508.3	194.5	-61.7
Tax expense	(17.3)	(10.3)	(19.0)	84.1	9.6	(48.1)	(36.7)	-23.8
Profit After Tax	160.7	(125.6)	134.8	(207.4)	(16.1)	460.2	157.9	-65.7
Minority Interests	4.5	3.9	(0.1)	(103.0)	(102.6)	23.5	1.4	-93.9
PATAMI	156.2	(129.5)	135.0	(204.2)	(13.6)	427.0	156.4	-63.4
Exceptional Items	26.7	91.1	2.7	(97.0)	(89.9)	(8.8)	(218.3)	2376.5
Normalised PATAMI	187.4	(34.5)	137.5	(498.9)	(26.6)	451.3	(60.5)	-113.4
EPS (sen)	2.8	(2.3)	2.4	(204.4)	(13.7)	7.7	2.8	-64.2
DPS (sen)	3.8	-	1.3	#DIV/0!	(65.5)	3.8	1.3	-65.5
				+/(-) ppts	+/(-) ppts			+/(-) ppts
PBT Margin (%)	25.3	(17.0)	26.6	43.5	1.2	21.7	10.3	-11.4
Tax Rate (%)	9.7	(8.9)	12.3	21.3	2.6	9.5	18.8	9.4
Net Margin (%)	22.2	(19.0)	23.3	42.4	1.1	18.2	8.3	-10.0

Source: Company, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025E	2026F	2027F	2028F
Revenue	3,151.9	2,590.1	2,739.6	2,836.3	2,886.3
EBIT	434.1	160.1	309.6	331.3	331.3
PBT	679.1	336.5	486.0	508.0	508.3
Taxation	-73.8	-47.9	-32.1	-22.5	-15.7
PAT	605.4	288.5	453.9	485.5	492.6
MI	30.3	3.0	0.6	0.2	0.1
PATAMI	575.0	291.6	454.5	485.7	492.7
Core PATAMI	594.9	116.6	474.5	505.7	512.7
EPS (sen)	10.2	5.2	8.0	8.6	8.7
PER (x)	18.6	35.9	23.0	21.5	21.2
DPS (sen)	4.3	2.0	2.8	3.0	3.0
Dividend yield (%)	2.3	1.1	1.5	1.6	1.6

Cash Flow (RM'm)	2024A	2025E	2026F	2027F	2028F
PBT	679.1	336.5	486.0	508.0	508.3
Depreciation	333.7	350.0	381.0	415.2	451.9
OP pre-WC changes	772.6	496.0	696.9	765.2	812.3
Change in NWC	414.5	354.9	389.4	452.7	517.7
Operating cash flow	**1187.0**	**850.9**	**1086.3**	**1217.9**	**1330.0**
Capital expenditure	-428.3	-336.7	-383.3	-406.8	-453.2
Investing cash flow	**-551.1**	**-351.8**	**-399.9**	**-422.3**	**-468.2**
Debt raised/(repaid)	-175	-125	175	125	475
Dividends paid	-220.1	-208.0	-138.3	-109.9	-101.6
Financing cash flow	**-788.6**	**-388.0**	**-318.3**	**-288.9**	**-279.6**
Net cash flow	**-152.7**	**111.1**	**368.2**	**506.7**	**582.2**
Beginning cash flow	**1720.5**	**1572.8**	**1688.9**	**2062.1**	**2573.8**
Ending cash flow	**1572.8**	**1688.9**	**2062.1**	**2573.8**	**3161.0**

Growth (%)	2024A	2025E	2026F	2027F	2028F
Revenue growth	5.0	-17.8	5.8	3.5	1.8
PBT growth	22.6	-50.5	44.5	4.5	0.1
PATAMI growth	12.6	-49.3	55.9	6.9	1.4
Core PATAMI growth	12.5	-80.4	307.1	6.6	1.4

Profitability Ratios (%)	2024A	2025E	2026F	2027F	2028F
EBIT margin	13.8	6.2	11.3	11.7	11.5
PBT margin	21.5	13.0	17.7	17.9	17.6
PATAMI margin	18.2	11.3	16.6	17.1	17.1
Core PATAMI margin	18.9	4.5	17.3	17.8	17.8
ROA	6.5	1.1	4.2	4.1	3.8
ROE	9.1	1.6	6.1	5.9	5.2

Balance Sheet (RM'm)	2024A	2025E	2026F	2027F	2028F
PPE	2,794.1	3,564.4	4,025.2	4,469.4	4,957.2
ROU assets	3,433.4	3,592.7	3,788.4	3,995.9	4,027.6
Non-current assets	**6,634.5**	**7,593.2**	**8,251.1**	**8,904.6**	**9,447.3**
Trade receivables	789.2	860.8	869.8	853.3	842.9
Cash & bank balances	1572.8	1688.9	2062.1	2573.8	3161.0
Current assets	**2495.8**	**2659.7**	**3041.9**	**3537.1**	**4113.9**
Long-term debt	1074.8	335.3	894.0	1302.1	1148.1
Non-current liabilities	**1,598.6**	**835.3**	**1,394.0**	**1,802.1**	**1,648.1**
Short-term debt	822.0	1231.5	1088.8	976.3	960.5
Trade payables	127.7	1010.7	1034.6	1047.4	1105.9
Current liabilities	**1024.1**	**2242.2**	**2123.4**	**2023.7**	**2066.3**
Share capital	1,698.3	1,698.3	1,698.3	1,698.3	1,698.3
Reserves	4,249.4	4,978.1	5,553.2	6,393.6	7,624.6
Equity	**6,507.5**	**7,175.3**	**7,750.5**	**8,590.9**	**9,821.8**

Liquidity Ratios (x)	2024A	2025E	2026F	2027F	2028F
Current ratio	2.4	1.2	1.4	1.7	2.0
Quick ratio	2.3	1.1	1.4	1.7	1.9

Leverage Ratios (x)	2024A	2025E	2026F	2027F	2028F
Debt-to-equity	0.4	0.9	1.0	1.0	1.2
Interest coverage	0.6	0.6	0.7	0.7	0.7

Efficiency Ratios (days)	2024A	2025E	2026F	2027F	2028F
Cash conversion cycle	118	148	140	131	126
DIO	12.3	16.1	16.1	15.6	15.3
DSO	91.4	121.3	115.9	109.8	106.6
DPO	-14.0	-10.5	-8.5	-5.6	-4.5

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