Dialog Group Berhad

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

SHARIAH Compliant

ESG 3 Stars

Corporate Update

Maintain BUY

Revised Target Price **RM2.17**
(from RM1.85)

Anticipating Strong Earnings Rebound in FY25

Maintain BUY. Dialog Group Bhd's (Dialog) FY25 earnings (ending June) came in above our expectations at +10% but below consensus at 86%. As such, we maintain BUY for Dialog with a revised target price of RM2.17 (previously RM1.85) as we tweak our forecast, incorporating FY25 results.

FY25 core profit down -66%yoy. FY25 revenue dropped -21%yoy to RM2.5b, while core earnings dropped -66%yoy to RM184.5m. This weaker performance was due to the one-off impairments in petrochemical and renewable projects, as well as EPCC projects cost overruns, that caused a loss in 2QFY25. Additionally, bottom line in FY25 was also impacted by a reduced in share of profits of joint ventures, attributable to the company involved in the production of food grade recycled polyethylene terephthalate pellets (rPET). This joint venture has since ceased production.

Malaysia segment's margin improving. Both Malaysia and International segment recorded lower FY25 earnings at RM292.8m (-41%yoy) and RM83m (-54%yoy). However, Malaysia recorded 4QFY25 PBT of RM170.6m (+37%yoy), contributed by higher tank storage occupancy in the reporting quarter. Volatile oil prices in 2QCY25 had prompted higher demand for storage farms and tankers, as a way to shelter any unfavorable impact from the oil trade. Additionally, Dialog had been exercising cost optimization as well as the completions of several projects during the final quarter. Nevertheless, this was offset by lower contributions from the upstream, due to lower production, scheduled maintenance and lower realized oil prices. Lower performance from the international segment is due to the sale of equity interest in Dialog's Jubail Supply Base in FY25.

Core focus to remain on midstream. Dialog remains confident in its business model to navigate the current economic uncertainties and market volatility. In the upstream business, Dialog is expanding its presence through the development of oil and gas fields, with studies underway for two upstream projects. We noted that its midstream business remains a core focus, with continuous investment in the Pengerang Deepwater Terminals and the recent launch of its first renewable fuel storage facilities at DIALOG Terminals Langsat (3). The company's strategic ventures into sustainable and renewable products, including a recent 25-year agreement for new storage facilities at Pengerang Terminals underscore its commitment to expanding its portfolio and supporting the transition to a low-carbon economy.

RETURN STATISTICS	
Price @ 20th August 2025 (RM)	1.87
Expected share price return (%)	+16.0
Expected dividend yield (%)	+1.6
Expected total return (%)	+17.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	9.9	6.6
3months	12.7	6.5
12 months	-28.8	-27.6

INVESTMENT STATISTICS

FYE Dec	2025A	2026E	2027F
Revenue	2502	2751	2875
Operating Profit	132	369	418
Profit Before Tax	376	498	566
Core PATAMI	185	428	494
Core EPS	5.4	7.6	8.7
DPS	3.1	3.4	3.8
Dividend Yield	1.4	1.6	1.8

KEY STATISTICS	
FBM KLCI	1,588.21
Issue shares (m)	5,642.69
Estimated free float (%)	75.60
Market Capitalisation (RM'm)	10,043.98
52-wk price range	RM1.13–RM2.54
3-mth average daily volume (m)	7.13
3-mth average daily value (RM'm)	11.58
Top Shareholders (%)	
Employees Provident Fund Board	16.68
Kumpulan Wang Persaraan Diperbadan	10.63
Wide Synergy Sdn Bhd	8.09

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FY26 may see earnings recovery. We anticipate that Dialog's earnings will normalise in FY26 and forward, as we expect that the impairments incurred in FY25 will not be repeated. The group's core midstream business is anticipated to remain a stable and robust source of income. High utilization rates, stable demand for storage amid geopolitical uncertainties, and phased capacity expansions at the Pengerang Deepwater Terminals are projected to drive this segment's performance. Meanwhile, its upstream business is set to contribute following the development of the Baram Junior Cluster and pre-development studies for other oil and gas fields. Despite the uncertainties in the upstream division, following a likely reduction in capex amid the lower oil prices, we expected the upstream will continue to provide more opportunities for Dialog's engineering and technical services.

Revised earnings forecast. Despite the higher-than-expected FY25 earnings, we tweak our earnings forecast for FY26 and FY27 by -8% and -5% respectively, to incorporate FY25 results. Despite this, we are confident on its midstream segment, as we believe the current oil market as well as the growing investments in sustainable fuel warrants a higher demand for storage solutions.

Hence, we **upgrade our target price at RM2.17** (previously RM1.85), pegging on the new PER of 28.7x to a revised EPS26 of 7.6sen. The new PER is based on Dialog's 5-Y PER of 26.5x with a premium (+1 SD) garnered on the optimism of Dialog's strong core business in the midstream division, with room for expansions in the near future. Likewise, we maintain our **BUY** call on Dialog.

Table 1: Dialog's 4QFY25 earnings review

Financial year ending 30th June (in RM'm unless stated otherwise)	Quarterly results					Cumulative results		
	4QFY24	3QFY25	4QFY25	QoQ (%)	YoY (%)	FY24	FY25	YoY (%)
Revenue	810.1	578.8	608.3	5.1	(24.9)	3,151.9	2,501.6	-20.6
Operating Expenses	(719.3)	(504.2)	(524.2)	4.0	(37.5)	(2,809.7)	(2,438.6)	-13.2
Other Operating Income	11.0	15.7	16.7	6.4	(35.5)	91.8	68.6	-25.3
JCE	84.0	74.7	93.1	24.6	10.8	309.9	293.2	-5.4
Finance Costs	(14.9)	(11.2)	(12.6)	12.6	(15.4)	(64.8)	(48.8)	-24.7
Profit Before Tax	170.8	153.8	181.3	17.9	6.1	679.1	375.9	-44.7
Tax expense	(25.6)	(19.0)	(29.5)	55.5	15.2	(73.8)	(66.2)	-10.3
Profit After Tax	145.2	134.8	151.8	12.6	4.6	605.4	309.7	-48.8
Minority Interests	6.8	(0.1)	4.4	(3,894.0)	(34.7)	30.3	5.9	-80.6
PATAMI	138.4	135.0	147.4	9.2	6.5	575.0	303.8	-47.2
Exceptional Items	(26.8)	(0.5)	9.3	(1,989.3)	(134.9)	(35.7)	(119.3)	234.0
Normalised PATAMI	111.7	134.5	156.7	16.5	40.4	539.3	184.5	-65.8
EPS (sen)	2.5	2.4	2.6	9.2	6.5	10.2	5.4	-47.2
DPS (sen)	4.3	1.3	1.8	38.5	(58.1)	4.3	3.1	-27.9
				+/(-) ppts	*+/(-) ppts*			*+/(-) ppts*
PBT margin (%)	21.1	26.6	29.8	3.2	8.7	21.5	15.0	-6.5
Core PATAMI margin (%)	17.1	23.3	24.2	0.9	7.1	18.2	12.1	-6.1
Tax rate (%)	15.0	12.3	16.3	3.9	1.3	10.9	17.6	6.7
Segmental:								
Revenue								
Malaysia	**466.7**	**327.7**	**341.0**	**4.0**	**(26.9)**	**1,735.5**	**1,438.1**	**(17.1)**
International	**343.3**	**251.1**	**267.4**	**6.5**	**(22.1)**	**1,416.4**	**1,063.5**	**(24.9)**
Thailand	50.3	69.9	72.2	3.2	43.4	258.0	260.2	0.8
Other Asia	75.1	56.7	47.3	(16.6)	(37.0)	293.3	196.6	(33.0)
Australia & New Zealand	121.1	99.5	124.0	24.6	2.4	452.6	455.3	0.6
Middle East	95.0	17.6	11.9	(32.3)	(87.4)	395.4	123.0	(68.9)
Other Countries	1.8	7.4	12.0	62.4	575.0	17.2	28.5	65.9
Profit After Tax								
Malaysia	**124.3**	**121.3**	**170.6**	**40.7**	**37.2**	**497.2**	**292.8**	**(41.1)**
International	**46.5**	**32.6**	**10.7**	**(67.0)**	**(76.9)**	**181.9**	**83.0**	**(54.4)**
Thailand	13.8	14.4	9.4	(34.7)	(31.8)	56.7	43.7	(22.9)
Other Asia	7.5	11.2	9.1	(18.5)	22.2	3.5	13.9	299.0
Australia & New Zealand	4.3	3.9	(10.4)	(364.0)	(342.5)	28.2	4.2	(85.0)
Middle East	20.6	1.9	0.8	(58.8)	(96.3)	90.5	16.3	(82.0)
Other Countries	0.4	1.2	1.8	55.1	398.3	3.0	4.9	64.1

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025E	2026F	2027F	2028F
Revenue	3152	2502	2751	2875	2951
EBIT	434	132	369	418	434
PBT	679	376	498	566	606
Taxation	-74	-66	-50	-57	-61
PAT	605	310	448	510	546
MI	30	6	11	10	11
PATAMI	575	304	438	499	535
Core PATAMI	539	185	428	494	532
EPS (sen)	10.2	5.4	7.6	8.7	9.4
PER (x)	21.3	40.3	28.7	24.9	23.0
DPS (sen)	4.3	3.1	3.4	3.8	4.3
Dividend yield (%)	2.0	1.4	1.6	1.8	2.0

Cash Flow (RM'm)	2024A	2025E	2026F	2027F	2028F
PBT	679	376	498	566	606
Depreciation	334	329	326	373	382
OP pre-WC changes	773	549	530	660	691
Change in NWC	402	467	451	504	595
Operating cash flow	**1,174**	**1,016**	**981**	**1,164**	**1,285**
Capital expenditure	-428	-359	-477	-420	-446
Investing cash flow	**-538**	**-352**	**-400**	**-422**	**-468**
Debt raised/(repaid)	-484	-76	-124	-136	-173
Dividends paid	-220	-231	-177	-196	-240
Financing cash flow	**-789**	**-418**	**-340**	**-375**	**-471**
Net cash flow	**-153**	**120**	**70**	**241**	**213**
Beginning cash flow	**1,720**	**1,572**	**1,669**	**1,744**	**1,990**
Ending cash flow	**1,573**	**1,670**	**1,744**	**1,990**	**2,209**

Growth (%)	2024A	2025E	2026F	2027F	2028F
Revenue growth	5.0	-20.6	10.0	4.5	2.6
PBT growth	22.6	-44.7	32.5	13.7	7.1
PATAMI growth	12.6	-47.2	44.0	14.1	7.2
Core PATAMI growth	12.5	-65.8	132.0	15.4	7.8

Profitability Ratios (%)	2024A	2025E	2026F	2027F	2028F
EBIT margin	13.8	5.3	13.4	14.5	14.7
PBT margin	21.5	15.0	18.1	19.7	20.6
PATAMI margin	18.2	12.1	15.9	17.4	18.1
Core PATAMI margin	17.1	7.4	15.6	17.2	18.0
ROA	5.9	2.1	4.8	5.3	5.6
ROE	8.3	3.0	7.0	7.6	7.8

Balance Sheet (RM'm)	2024A	2025E	2026F	2027F	2028F
PPE	2,794	2,644	2,786	2,762	2,762
ROU assets	713	727	673	682	688
Non-current assets	**6,635**	**6,440**	**6,422**	**6,441**	**6,483**
Trade receivables	789	483	692	744	772
Cash & bank balances	1,573	1,670	1,744	1,990	2,209
Current assets	**2,496**	**2,247**	**2,545**	**2,846**	**3,094**
Long-term debt	1,075	361	908	910	915
Non-current liabilities	**1,599**	**882**	**1,430**	**1,432**	**1,437**
Short-term debt	128	724	395	382	376
Trade payables	822	809	926	885	884
Current liabilities	**1,024**	**1,561**	**1,386**	**1,330**	**1,320**
Share capital	1,698	1,699	1,699	1,699	1,699
Reserves	4,249	4,046	3,887	4,267	4,568
Equity	**6,508**	**6,244**	**6,151**	**6,526**	**6,819**

Liquidity Ratios (x)	2024A	2025E	2026F	2027F	2028F
Current ratio	2.4	1.4	1.8	2.1	2.3
Quick ratio	2.3	1.4	1.8	2.1	2.3

Leverage Ratios (x)	2024A	2025E	2026F	2027F	2028F
Debt-to-equity	0.4	0.9	1.0	1.0	1.2
Interest coverage	9.7	3.1	9.5	11.1	9.9

Efficiency Ratios (days)	2024A	2025E	2026F	2027F	2028F
Cash conversion cycle	-3	-40	-38	-24	-19
DIO	12.3	11.0	11.5	11.4	11.2
DSO	91.4	70.5	91.9	94.5	95.5
DPO	106.8	121.1	141.0	129.6	125.9

Source: Bloomberg, MBSBR

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MBSB INVESTMENT BANK (formerly known MIDF 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