Dialog Group Berhad

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

SHARIAH Compliant

ESG 3 Stars

Maintain **BUY**

Unchanged Target Price **RM2.17**

Corporate Update

Positive Catalysts on the Horizon

Maintain BUY. We maintain our **BUY** recommendation for Dialog, with a target price (TP) of RM2.17, based on an FY26 earnings per share (EPS) of 7.6 sen and a price-to-earnings ratio (PER) of 28.7x. This reflects a premium over Dialog's 5-year average PER of 26.5x, indicating strong business prospects. The TP suggests an expected total return of 15.8%.

Stable performance, although smaller contribution from the JV due to unrealized foreign exchange movement. Dialog reported a core net profit of RM138m for 1QFY26, generated from RM657m in revenue. The performance was primarily driven by the company's operations in the Malaysian market, particularly in the midstream and downstream segments. The midstream segment benefited from healthy tank storage occupancy, which was at 90% utilization, and competitive rates ranging from SGD6.0 to 6.5 per cubic meter per month. The downstream segment saw improvements due to cost optimization initiatives as well as contribution from the plant maintenance projects.

However, on a sequential quarter basis, the core earnings for 1QFY26 decreased by -11.9%. This decline was attributed to a smaller contribution from the profits of joint ventures and associates.

Looking at the year-on-year performance, Dialog recorded an increase in revenue for 1QFY26 as compared to 1QFY2025, with figures of RM657m vs. RM634.8m, respectively. Nevertheless, the net profit for 1QFY26 was lower, reflected by reduced contributions from the profits of joint ventures and associates.

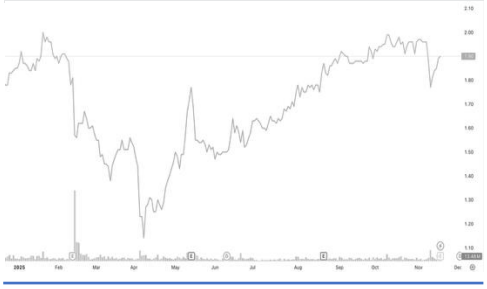
A robust future on the horizon. Looking forward, the Group is set to expand its Pengerang Deepwater Terminal (PDT) operations through a strategic long-term service agreement with BP Singapore, adding another 614,000 cubic meters of tank capacity from the existing 430,000 m3 storage capacity for refined petroleum products.

Coupled with an earlier agreement in July 2025 to boost capacity with Pengerang Biorefinery SB by 272,000 m3, these moves position Dialog for significant future growth in the midstream and downstream.

Moreover, Dialog's share price has decisively recovered from recent sell-offs, following reports of delays in the Pengerang Energy Complex (PEC) project. We remain confident in the Group's robust recovery outlook and the promising opportunities that lie ahead.

RETURN STATISTICS	
Price @ 18th Nov. 2025 (RM)	1.90
Expected share price return (%)	+14.2
Expected dividend yield (%)	+1.6
Expected total return (%)	+15.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.0	-4.4
3months	0.5	7.0
12 months	-2.6	-3.3

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	1,614.06
Issue shares (m)	5,642.69
Estimated free float (%)	75.60
Market Capitalisation (RM'm)	10,721.10
52-wk price range	RM1.13–RM2.08
3-mth average daily volume (m)	7.79
3-mth average daily value (RM'm)	14.78
Top Shareholders (%)	
Employees Provident Fund Board	17.49
Kumpulan Wang Persaraan Diperbadan	10.04
Wide Synergy Sdn Bhd	8.09

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Table 1: Dialog's 1QFY26 earnings review

Financial year ending 30th June (in RM'm unless stated otherwise)	Quarterly results					Cumulative results		
	1Q25	4Q25	1Q26	QoQ (%)	YoY (%)	1Q25	1Q26	YoY (%)
Revenue	634.5	608.3	657.0	8.0	3.6	634.5	657.0	3.6
Operating Expenses	(587.8)	(524.2)	(561.0)	7.0	(4.6)	(587.8)	(561.0)	(4.6)
Other Operating Income	4.4	16.7	17.2	2.9	286.8	4.4	17.2	286.8
JCE	117.7	93.1	61.2	(34.3)	(48.0)	117.7	61.2	(48.0)
Finance Costs	(12.8)	(12.6)	(13.3)	5.7	4.0	(12.8)	(13.3)	4.0
Profit Before Tax	156.0	181.3	161.0	(11.2)	3.2	156.0	161.0	3.2
Tax expense	(7.4)	(29.5)	(14.8)	(49.7)	101.0	(7.4)	(14.8)	101.0
Profit After Tax	148.6	151.8	146.2	(3.7)	(1.6)	148.6	146.2	(1.6)
Minority Interests	(2.4)	4.4	6.2	38.5	(360.4)	(2.4)	6.2	(360.4)
PATAMI	151.0	147.4	140.0	(5.0)	(7.3)	151.0	140.0	(7.3)
Exceptional Items	9.1	9.3	(2.0)	(121.5)	(122.2)	9.1	(2.0)	(122.2)
Normalised PATAMI	160.0	156.7	138.0	(11.9)	(13.8)	160.0	138.0	(13.8)
EPS (sen)	2.7	2.6	2.5	(5.0)	(7.5)	2.7	2.5	(7.5)
DPS (sen)	0.0	1.8	0.0	-	-	0.0	0.0	0.0
				+/(-) ppts				*+/(-) ppts*
PBT Margin (%)	24.6	29.8	24.5	(5.3)	(0.1)	24.6	24.5	(0.1)
Tax Rate (%)	4.7	16.3	9.2	(7.1)	4.5	4.7	9.2	4.5
PATAMI Margin (%)	23.8	24.2	21.3	(2.9)	(2.5)	23.8	21.3	(2.5)
Segments	**1Q25**	**4Q25**	**1Q26**	**QoQ (%)**	**YoY (%)**	**1Q25**	**1Q26**	**YoY (%)**
Revenue								
Malaysia	**381.1**	**341.0**	**433.4**	**27.1**	**13.7**	**381.1**	**433.4**	**13.7**
International	**253.4**	**267.4**	**223.6**	**(16.4)**	**(11.7)**	**253.4**	**223.6**	**(11.7)**
Thailand	49.7	72.2	63.4	(12.1)	27.7	49.7	63.4	27.7
Other Asia	42.3	47.3	35.0	(25.9)	(17.1)	42.3	35.0	(17.1)
Australia & New Zealand	101.3	124.0	109.6	(11.6)	8.2	101.3	109.6	8.2
Middle East	53.7	11.9	0.0	(100.0)	(100.0)	53.7	0.0	(100.0)
Other Countries	6.5	12.0	15.5	29.0	139.3	6.5	15.5	139.3
Profit Before Tax								
Malaysia	**147.1**	**170.6**	**139.7**	**(18.1)**	**(5.0)**	**147.1**	**139.7**	**(5.0)**
International	**8.9**	**10.7**	**21.3**	**98.7**	**139.3**	**8.9**	**21.3**	**139.3**
Thailand	4.0	9.4	6.4	(32.3)	60.0	4.0	6.4	60.0
Other Asia	(8.0)	9.1	6.3	(31.3)	(178.1)	(8.0)	6.3	(178.1)
Australia & New Zealand	3.0	(10.4)	6.1	(158.7)	104.9	3.0	6.1	104.9
Middle East	8.6	0.8	0.0	(100.0)	(100.0)	8.6	0.0	(100.0)
Other Countries	1.4	1.8	2.6	42.5	79.1	1.4	2.6	79.1

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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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