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

Anticipating Profitability Rebound

Maintain BUY. Dialog Group Bhd's (Dialog) 1HFY26 results delivered a solid recovery and were generally consistent with both our expectation and market expectations where we anticipated a rebound in profitability following FY25's weaker performance. For 1HFY26, the group recorded revenue of RM1.41b (+7.5%yoy) and profit after tax (PAT) of RM297.0m, representing a more than 100% increase from RM23.0m in the corresponding period last year. These earnings recovery were mainly driven by improved operating performance across core segments and higher contributions from joint ventures and associates. Share of profit from joint ventures and associates rose significantly to RM76.4m for the quarter, compared to RM7.6m in the corresponding period last year.

Dialog delivered a significant turnaround in 2QFY26, with both an increase in revenues and PAT reflecting stronger operational performance across its integrated business segments, particularly within Malaysia. The midstream segment was a key driver of the quarter's improvement as higher tank storage occupancy contributed positively to earnings, demonstrating stable demand for storage services amid crude oil price volatility.

Downstream operations delivered better profitability supported by stronger operational execution and disciplined cost management. This marks a stabilisation following earlier periods where project-related pressures and impairments weighed on margins. A key driver of the improvement was the implementation of cost optimisation initiatives. Compared to 1HFY25, the net margins during this period stands at 23.1% while the same period last year saw margins of 1.6%.

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. We noted that its midstream business remains a core focus, with continuous investment in the Pengerang Deepwater Terminals.

Because of the volatility for the crude oil prices, we opine that the demand of storage space would remained heighten during the short to medium term. This would therefore be a positive development for its midstream business. Therefore, we still have a **BUY** call, with a **target price of RM2.17** for Dialog Group, pegging on the PER of 22.1x to its EPS26 of 9.8sen. The PER is based on Dialog's 5-Y PER of 26.5x with a discount (-2 SD) we maintain our conservative stance regarding valuation for now after its performance from the previous few quarters.

RETURN STATISTICS	
Price @ 12th February 2026(RM)	1.67
Expected share price return (%)	+29.9
Expected dividend yield (%)	+1.6
Expected total return (%)	+31.5

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	620	566
Core PATAMI	185	550	494
Core EPS	5.4	9.8	8.7
DPS	3.1	3.4	3.8
Dividend Yield	1.4	1.6	1.8

KEY STATISTICS	
FBM KLCI	1,756.39
Issue shares (m)	5,642.69
Estimated free float (%)	75.60
Market Capitalisation (RM'm)	9,883.98
52-wk price range	RM1.13–RM2.01
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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Table 1: Dialog's 2QFY26 earnings review

Financial year ending 31st Dec (in RM'm unless stated otherwise)	Quarterly results					Cumulative results		
	2QFY25	1QFY26	2QFY26	QoQ (%)	YoY (%)	1H25	1H26	YoY (%)
Revenue	680.0	657.0	756.3	15.1	11.2	1314.5	1413.3	7.5
Operating Expenses	(822.5)	(561.0)	(662.0)	18.0	(19.5)	(1410.3)	(1223.0)	(13.3)
Other Operating Income	31.8	17.2	18.7	8.9	(41.2)	36.2	35.9	(1.0)
JCE	7.6	61.2	76.4	24.8	>100	125.4	137.6	9.7
Finance Costs	(12.2)	(13.3)	(14.6)	9.5	19.3	(25.0)	(27.9)	11.7
Profit Before Tax	(115.3)	161.0	174.8	8.6	>100	40.7	335.8	>100
Tax expense	(10.3)	(14.8)	(23.9)	61.4	132.3	(17.7)	(38.8)	-119.1
Profit After Tax	(125.6)	146.2	150.9	3.2	>100	23.0	297.0	>100
Minority Interests	3.9	6.2	(23.9)	<-100	<-100	1.6	(17.8)	<-100
PATAMI	(129.5)	140.0	174.8	24.8	>100	21.5	314.8	>100
Exceptional Items	91.1	2.0	1.5	(28.7)	(98.4)	(221.0)	3.5	>100
Normalised PATAMI	(38.4)	142.1	176.2	24.1	>100	(199.6)	318.3	>100
EPS (sen)	(2.3)	2.5	2.4	(1.6)	>100	0.4	4.9	>100
DPS (sen)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				+/(-) ppts	*+/(-) ppts*			*+/(-) ppts*
PBT margin (%)	(17.0)	29.8	24.5	(17.8)	>100	3.1	23.1	>100
Core PATAMI margin (%)	(8.9)	16.3	9.2	(43.4)	>100	43.4	13.7	(68.4)
Tax rate (%)	(19.0)	24.2	21.3	(12.1)	>100	1.6	23.1	>100
Segmental:								
Revenue								
Malaysia	388.4	341.0	433.4	27.1	11.6	769.5	936.0	21.6
International	291.6	267.4	223.6	(16.4)	(23.3)	545.0	477.4	(12.4)
Thailand	68.4	72.2	63.4	(12.1)	(7.3)	118.1	134.6	14.0
Other Asia	50.4	47.3	35.0	(26.0)	(30.5)	92.6	87.7	(5.3)
Australia & New Zealand	130.6	124.0	109.6	(11.6)	(16.1)	231.9	224.7	(3.1)
Middle East	39.7	11.9	0.0	(100.0)	(100.0)	93.4	0.0	(100.0)
Other Countries	2.5	12.0	15.5	29.2	520.0	9.0	30.4	237.4
Profit After Tax								
Malaysia	(146.1)	170.6	139.7	(18.1)	>100	1.0	294.0	>100
International	30.8	10.7	21.3	99.3	(30.8)	39.7	41.8	5.3
Thailand	15.9	9.4	6.4	(32.4)	(60.0)	19.9	19.1	(4.0)
Other Asia	1.6	9.1	6.3	(30.9)	>100	(6.5)	8.4	>100
Australia & New Zealand	7.7	(10.4)	6.1	(158.6)	(20.8)	10.7	9.1	(15.4)
Middle East	5.1	0.8	0.0	0.0	0.0	13.7	0.0	(100.0)
Other Countries	0.5	1.8	2.6	43.2	>100	2.0	5.2	>100

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025E	2026F	2027F	2028F
Revenue	3152	2502	3500	2875	2951
EBIT	434	132	460	418	434
PBT	679	376	634	566	606
Taxation	-74	-66	-63	-57	-61
PAT	605	310	571	510	546
MI	30	6	11	10	11
PATAMI	575	304	560	499	535
Core PATAMI	539	185	550	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