Petronas Dagangan Berhad

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

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Upgrade to **BUY**
(from NEUTRAL)
Revised Target Price: **RM22.46**
(from RM22.20)

Corporate Update

Retail Sales Lifted 1QFY26 Earnings

Upgrade to BUY. Petronas Dagangan Berhad's (PDB) 1QFY26 earnings came in within our and consensus' estimates at 25%. We maintain our earnings forecast but revised our valuation upwards. As such, we upgrade our **target price slightly above to RM22.46** (previously RM22.20) and change our call to a **BUY.**

1QFY26 core earnings slipped marginally. PDB saw its revenue surge to RM11.2b (+23%yoy), due to the +15% increase in average selling prices (ASPs), as well as +7% growth in sales volume. However, core earnings slipped marginally to RM292m (-0.1%yoy), attributed to higher product cost in the Commercial segment.

Retail saw higher ASP, sales volume. Retail recorded a 1QFY26 revenue of RM6.3b (+34%yoy), attributed by improved ASP by +25% and higher sales volume by +8%, mainly from Mogas due to BUDI95 implementation and higher traffic during the festive seasons. Meanwhile, EBIT surged to RM325m (+68%yoy), contributed by upward movement in MOPS price, supported by stronger demand from Mogas and Diesel. However, this is offset by higher expenditure.

Commercial dragged by unfavorable MOPS price. Commercial segment's 1QFY26 revenue added to RM4.8b (+10%yoy), contributed by a +5% increase in both sales volume and ASPs. However, EBIT saw a decline to RM23m (-88%yoy), mainly due to less favorable MOPS price trend for Jet A1.

Convenience remains stable. Convenience segment saw 1QFY26 revenue dropped to RM62m (-3%yoy), but EBIT gained to RM36m (+5%yoy). The improved earnings is driven by improved merchandise gross profit.

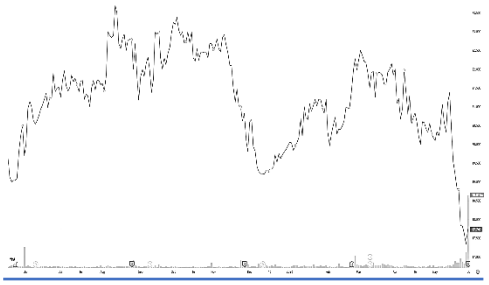
We attended PDB's briefing. Key takeaways are as follow:

Domestic demand remains resilient. With GDP growing by 5.4%yoy in 1QCY26, household spending remained a massive cushion for PDB, backed by a stable labour market and supportive policy measures by the government. Despite a mild uptick in headline inflation (+0.2%qoq) due to higher transportation costs relating to RON97 and Diesel. However, we noted that at this current juncture, inflationary pressures are still well-contained for the group. Additionally, the work-from-home initiatives for public servants had yet to dent the demand for Mogas. Moving forward, we opine that demand will continue to be supported, but potential commodity shortages and rising prices could put a lid to consumer spending growth.

Tourists' arrivals maintain consistent. Despite total visitor arrivals in 1QCY26 reached 10.6m (+5%yoy), PDB saw a sharp decline in arrivals coming from West Asia – notably within the conflict zones – but this is offset by regional demand. Tourists' arrivals are still on a positive sector momentum, although the sustained uptake of Jet A1 might still be dependable on the aviation sector's momentum and strategy to control operating costs and unfavourable MOPS price trend.

RETURN STATISTICS	
Price @ 29th May 2026 (RM)	17.74
Expected share price return (%)	+26.6
Expected dividend yield (%)	+5.1
Expected total return (%)	+31.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	12.1	-11.7
3months	-14.4	-18.8
12 months	-10.0	-15.4

INVESTMENT STATISTICS

FYE Dec (RM m)	2026E	2027F	2028F
Revenue	39,758	40,764	41,987
Operating Profit	1,758	1,886	1,942
Profit Before Tax	1,741	1,868	1,924
Core PATAMI	1,177	1,267	1,305
Core EPS	118.5	127.5	131.4
DPS	115.5	120.1	122.4
Dividend Yield	5.1	5.1	5.2

KEY STATISTICS	
FBM KLCI	1,683.07
Issue shares (m)	993.45
Estimated free float (%)	15.9
Market Capitalisation (RM'm)	17,624.0
52-wk price range	RM17.74-RM23.80
3-mth average daily volume (m)	0.45
3-mth average daily value (RM'm)	9.01
Top Shareholders (%)	
Petroliam Nasional Bhd	63.9
Employees Provident Fund Board	12.6
Amanah Saham Nasional Bhd	8.7

Analyst
MBSB Research
research@mbsb.com
03-2173 8396

EV high pricing gives momentary relief to fuel sales. Total new car sales and registrations eased down to 192,531 units in 1QCY26 (-25%qoq), though the new sales maintained a steady, elevated momentum. Nevertheless, the structural expansion of the electrified vehicle (EV) had captured about 12% (+5%yoy) of total new car sales in 1QCY26. This steady climb is driven by a wider influx of affordable EV models entering the local market. Despite this EV shift, imported Completely Built-Up (CBU) EVs will largely remain restricted to higher-end premium (priced above RM200k). Meanwhile, the expansion of the public EV charging infrastructure network is still ongoing, as the industry catches up with national structural targets. In the near term, while we expect EV demand to remain high, we believe fuel sales for PDB will continue to be supported.

No changes to earnings estimates. All in all, we make no changes to our earnings forecast. However, we upgrade our valuation slightly by pegging a new PER of 19x (previously PER 18.3x) to an EPS26 of RM1.185, yielding a **revised target price of RM22.46**. The new PER is a slight +0.25SD premium to PDB's 3Y median PER of 18.5x-19x.

We believe a richer multiple is fundamentally justified as the group is heading forward in transitioning into a hybrid retail utility player. The structural expansion of its high-margin non-fuel segment – notably Café Mesra and Setel eco-system – coupled with its unrivalled dominance in the nationwide EV charging network warrants a stronger growth premium. Furthermore, its fortress balance sheet and resilient >5% dividend yield continues to offer a good defensive floor amidst shifting domestic subsidy landscapes. Moving forward, we expect PDB will continue to incorporate strategies in disciplined sourcing to hedge against volatile oil prices and global supply disruption, while tackling domestic demand for both fuel and EV infrastructures. Hence, we upgrade our call for the group from NEUTRAL to a **BUY.**

Table 1: Petronas Dagangan's 1QFY26 earnings review

Financial year ending 31st Dec (in RM'm unless stated otherwise)	Quarterly Results					Cumulative Results		
	1Q25	4Q25	1Q26	QoQ%	YoY%	3M25	3M26	YoY%
Revenue	9093.0	10578.5	11150.6	5.4	22.6	9093.0	11150.6	22.6
Operating Profit	**407.4**	**365.9**	**385.7**	**5.4**	**-5.3**	**407.4**	**385.7**	**-5.3**
Finance Cost	-3.5	-5.9	-2.7	-54.3	-23.5	-3.5	-2.7	-23.5
Share of PAT from Associates and JV	5.3	1.3	6.2	367.3	16.9	5.3	6.2	16.9
PBT	**409.2**	**361.4**	**389.2**	**7.7**	**-4.9**	**409.2**	**389.2**	**-4.9**
Tax Expenses	-108.1	-88.1	-97.9	11.1	-9.4	-108.1	-97.9	-9.4
PAT	**301.1**	**273.3**	**291.4**	**6.6**	**-3.2**	**301.1**	**291.4**	**-3.2**
Minority Interests	7.6	14.4	8.4	-41.9	10.7	7.6	8.4	10.7
PATAMI	**293.5**	**258.9**	**283.0**	**9.3**	**-3.6**	**293.5**	**283.0**	**-3.6**
PATAMI ex-EI	**292.1**	**243.8**	**291.7**	**19.7**	**-0.1**	**292.1**	**291.7**	**-0.1**
EPS (sen)	29.5	26.1	28.5	9.2	-3.4	29.5	28.5	-3.4
EPS ex-EI (sen)	29.4	24.5	29.4	19.7	-0.1	29.4	29.4	-0.1
DPS (sen)	20.0	46.0	18.0	-60.9	-10.0	20.0	18.0	-10.0
PATAMI margin %	3.2	2.4	2.5	0.1	-0.7	3.2	2.5	-0.7
PATAMI ex-EI margin %	3.2	2.3	2.6	0.3	-0.6	3.2	2.6	-0.6
Tax Rate %	26.4	24.4	25.1	0.8	-1.3	26.4	25.1	-1.3
SEGMENTAL								
Revenue:								
Retail	4716.0	5986.8	6335.1	5.8	34.3	4716.0	6335.1	34.3
Commercial	4312.7	4527.1	4753.2	5.0	10.2	4312.7	4753.2	10.2
Convenience	64.3	64.6	62.3	-3.5	-3.1	64.3	62.3	-3.1
EBIT:								
Retail	192.9	117.5	324.5	176.1	68.2	192.9	324.5	68.2
Commercial	180.2	222.6	22.5	-89.9	-87.5	180.2	22.5	-87.5
Convenience	34.2	25.8	36.0	39.7	5.3	34.2	36.0	5.3

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	37,951	38,269	39,758	40,764	41,987
EBIT	1,548	1,534	1,758	1,886	1,942
PBT	1,531	1,531	1,741	1,868	1,924
Taxation	-414	-394	-508	-539	-549
PAT	1,117	1,136	1,233	1,329	1,374
MI	30	37	42	46	51
PATAMI	1,087	1,099	1,191	1,283	1,324
Core PATAMI	1,065	1,083	1,177	1,267	1,305
EPS (sen)	107.2	109.0	118.5	127.5	131.4
PER (x)	18.0	18.3	19.0	18.5	18.0
DPS (sen)	107.0	112.0	115.5	120.1	122.4
Dividend yield (%)	5.5	5.6	5.1	5.1	5.2

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	1,531	1,531	1,741	1,868	1,924
Depreciation	475	487	469	466	472
OP pre-WC changes	1,888	1,847	2,078	2,213	2,285
Change in NWC	236	2,707	-809	421	108
Operating cash flow	**1,769**	**4,179**	**906**	**2,274**	**2,035**
Capital expenditure	-375	-492	-568	-686	-640
Investing cash flow	**-212**	**-297**	**-386**	**-510**	**-462**
Debt raised/(repaid)	-57	-74	-79	-73	-63
Dividends paid	-884	-1,103	-990	-937	-909
Financing cash flow	**-951**	**-1,241**	**-1,069**	**-1,009**	**-972**
Net cash flow	**607**	**2,641**	**-549**	**755**	**602**
Beginning cash flow	**1,507**	**2,114**	**4,755**	**4,166**	**4,936**
Ending cash flow	**2,114**	**4,755**	**4,166**	**4,936**	**5,550**

Growth (%)	2024A	2025A	2026E	2027F	2028F
Revenue growth	1.1	0.8	3.9	2.5	3.0
PBT growth	14.9	0.0	13.7	7.3	3.0
PATAMI growth	15.2	1.2	8.4	7.7	3.2
Core PATAMI growth	15.5	1.6	8.8	7.6	3.0

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
EBIT margin	4.1	4.0	4.4	4.6	4.6
PBT margin	4.0	4.0	4.4	4.6	4.6
PATAMI margin	2.9	2.9	3.0	3.1	3.2
Core PATAMI margin	2.8	2.8	3.0	3.1	3.1
ROA	9.6	9.8	10.4	10.1	0.0
ROE	17.6	17.9	19.4	19.0	0.0

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
PPE	3,995	4,117	4,237	4,390	4,561
ROU assets	56	73	70	72	77
Non-current assets	**4,053**	**4,193**	**4,309**	**4,463**	**4,640**
Trade receivables	4,763	2,023	2,603	2,767	3,146
Cash & bank balances	2,114	4,755	4,166	4,936	5,550
Current assets	**7,062**	**6,891**	**7,050**	**8,019**	**8,994**
Long-term debt	95	89	109	128	153
Non-current liabilities	**213**	**193**	**227**	**250**	**274**
Short-term debt	13	74	102	143	202
Trade payables	4,732	4,639	4,823	5,280	5,889
Current liabilities	**4,833**	**4,839**	**5,058**	**5,563**	**6,244**
Share capital	993	993	993	993	993
Reserves	4,977	4,974	5,007	5,607	6,054
Equity	**6,069**	**6,051**	**6,074**	**6,669**	**7,116**

Liquidity Ratios (x)	2024A	2025A	2026E	2027F	2028F
Current ratio	1.5	1.4	1.4	1.4	1.4
Quick ratio	1.0	0.4	0.6	0.6	0.6

Leverage Ratios (x)	2024A	2025A	2026E	2027F	2028F
Debt-to-equity	0.8	0.8	0.9	0.9	0.9
Interest coverage	0.8	1.0	1.0	1.1	1.2

Efficiency Ratios (days)	2024A	2025A	2026E	2027F	2028F
Cash conversion cycle	92	64	68	71	78
DIO	-2	-1	-3	-3	-3
DSO	46	19	24	25	27
DPO	-47	-46	-46	-50	-54

Source: Bloomberg, MBSBR

MBSB RESEARCH (formerly known as MIDF RESEARCH) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) 197501002077 (24878-X).

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad.

The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report.

This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

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