Petronas Dagangan Berhad

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

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Corporate Update

Commercial Contributed to Higher 2QFY26 Earnings

Maintain BUY. Petronas Dagangan Berhad's (PDB) 6MFY26 earnings came in slightly above our and consensus' estimates at 57% and 56% respectively. As such, we maintain our BUY call and upgrade our **target price to RM23.79** (previously RM22.46).

6MFY26 core earnings up +21%yoy. PDB saw its revenue surge to RM27b (+50%yoy), due to the +44% increase in average selling prices (ASPs), as well as +4% growth in sales volume. Likewise, core earnings gained to RM664m (+21%yoy), attributed to the improved performance from all segments, offset by higher expenditure.

Higher ASP, sales volume supports Retail. Retail recorded a 6MFY26 revenue of RM15b (+60%yoy), attributed by improved ASP by +49% and higher sales volume by +7%, mainly from Mogas due to BUDI95 targeted subsidy programme via PDB's Setel application, as well as sustained traffic demand. Diesel also saw volume growth from stronger Diesel demand, supported by favourable market supply dynamics. Meanwhile, EBIT added to RM362m (+2%yoy), contributed by higher sales volume, partially negated by higher expenditure.

Commercial saw gains from favourable MOPS. Commercial segment's 6MFY26 revenue added to RM12b (+40%yoy), contributed by a +40% increase in sales volume and +41% in ASPs. Likewise, EBIT saw a gain to RM479m (+33%yoy), mainly due to favourable MOPS prices trends.

Convenience leveraging on merchandise margins. Convenience segment saw 6MFY26 revenue dropped to RM127m (-1%yoy), but EBIT gained to RM69m (+4%yoy). The improved earnings are driven by improved merchandise margins.

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

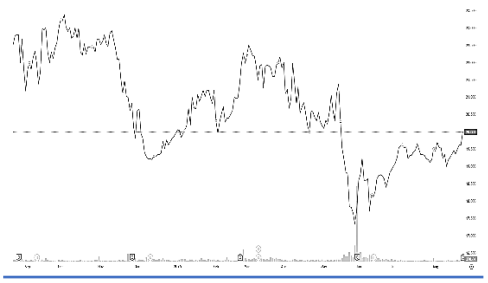
All fuel demand expected to remain stable. Retail fuel demand is expected to remain cushioned by ongoing government subsidies. However, near-term retail gross margins may still face pressure (to note, 2QFY26 Retail profit fell to RM38m (-77%yoy)) due to elevated product acquisition pricing, and supply chain logistics costs. As of writing, the group is continuously monitoring the supply chain to mitigate cost pass-through delays in the near-term. For Diesel, the recent reform in subsidy is expected to have a fragmented volume uptake. East Malaysia is expected to see softer demand due to the reform, but overall national volumes would rebalance itself between Retail and Commercial demand, as seen during the rollout of the Diesel subsidy. For Jet A1 fuel, the group is expecting a full recovery to pre-pandemic peak volume uptakes in several more quarters. Despite the slower recovery expected, the trajectory remains positive due to recovering flight frequencies and expanding regional tourism.

Maintain BUY

Revised Target Price: **RM23.79**
(fromRM22.46)

RETURN STATISTICS	
Price @ 24th August 2026 (RM)	19.94
Expected share price return (%)	+19.3
Expected dividend yield (%)	+4.9
Expected total return (%)	**+24.2**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	+3.5	-0.8
3months	+13.9	+10.5
12 months	-1.6	-11.8

INVESTMENT STATISTICS

FYE Dec (RM m)	2026E	2027F	2028F
Revenue	45,471	47,905	50,712
Operating Profit	1,819	1,934	2,021
Profit Before Tax	1,803	1,916	2,003
Core PATAMI	1,247	1,289	1,313
Core EPS	125.5	129.7	132.2
DPS	115.5	120.1	122.4
Dividend Yield	4.9	5.0	5.2

KEY STATISTICS

FBM KLCI	1,736.33
Issue shares (m)	993.45
Estimated free float (%)	29.9
Market Capitalisation (RM'm)	19,470.0
52-wk price range	RM17.12-RM23.50
3-mth average daily volume (m)	0.4
3-mth average daily value (RM'm)	6.8
Top Shareholders (%)	
Petroliam Nasional Bhd	63.9
Employees Provident Fund Board	14.0
Amanah Saham Nasional Bhd	8.7

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

Product repricing in Convenience. The Convenience segment (i.e. Mesra stores and non-fuel operations) has undergone a price restructuring. Gross profit growth is being driven by shifting focus toward high-margin merchandise and repricing key product lines rather than relying purely on volume. We noted that this active yield management strategy is ongoing and is expected to maintain a steady margin expansion for non-fuel retail. Nevertheless, the group has guided that inventory fluctuations linked to past sponsorship and merchandising changes have stabilised and a clearance event similar to 4QCY25 is highly likely not to repeat in CY26, due to ongoing tightened supply chain control and normalised inventory levels.

Digital ecosystem maturing. PDB has reported that users of its Setel application have stabilized into a regularized, active customer base. This uplift serves as a digital multiplier that complements core fuel purchases and convenience store conversion. Additionally, the digital tracking and fleet integration through Setel and SmartPay has helped to smooth out shifts in retail volume, further keeping digital engagement high despite underlying changes in fuel demand between Retail and Commercial segments.

Revised earnings estimates. Given PDB's 6MFY26 result, we revised our earnings forecast for FY26-28 upwards by +6%/+2%/+1% respectively. Likewise, we revised our **target price to RM23.79 from RM22.46**, pegging a PER of 19x to a revised EPS26 of RM1.255.

We believe that the near-term operational defensiveness, as well as the long-term, multi-engine growth across all PDB's segments remains optimistic. PDB continues to provide unmatched supply security and nationwide product availability, effectively insulating its core volumes during global oil price shocks and supply chain disruptions. The group is strategically positioned to navigate Malaysia's targeted subsidy reforms by leveraging mature digital platforms like Setel and SmartPay to capture customer demand and maintain fleet client retention. PDB continues to diversify into high-margin segments, including non-fuel convenience retail, EV infrastructure, and commercial specialty products, providing resilient cash flows and margin protection amidst macroeconomic volatility. As such, we maintain our **BUY call** for the group.

Table 1: Petronas Dagangan's 2QFY26 earnings review

Financial year ending 31st Dec (in RM'm unless stated otherwise)	Quarterly Results					Cumulative Results		
	2Q25	1Q26	2Q26	QoQ%	YoY%	6M25	6M26	YoY%
Revenue	9065.5	11150.6	16091.1	44.3	77.5	18158.5	27241.7	50.0
Operating Profit	**375.8**	**385.7**	**524.5**	**36.0**	**39.6**	**783.1**	**910.2**	**16.2**
Finance Cost	-3.4	-2.7	-2.5	-6.8	-26.3	-6.9	-5.2	-24.9
Share of PAT from Associates and JV	1.5	6.2	9.1	47.4	518.9	6.8	15.3	126.2
PBT	**373.9**	**389.2**	**531.1**	**36.4**	**42.1**	**783.0**	**920.4**	**17.5**
Tax Expenses	-101.0	-97.9	-137.1	40.0	35.8	-209.0	-235.0	12.4
PAT	**272.9**	**291.4**	**394.0**	**35.2**	**44.4**	**574.0**	**685.4**	**19.4**
Minority Interests	7.4	8.4	6.8	-18.4	-7.7	15.0	15.2	1.6
PATAMI	**265.5**	**283.0**	**387.2**	**36.8**	**45.8**	**559.0**	**670.2**	**19.9**
PATAMI ex-EI	**258.3**	**291.7**	**372.0**	**27.5**	**44.0**	**550.4**	**663.7**	**20.6**
EPS (sen)	26.7	28.5	39.0	36.8	46.1	56.2	67.5	20.1
EPS ex-EI (sen)	26.0	29.4	37.4	27.5	44.0	55.4	66.8	20.6
DPS (sen)	22.0	18.0	25.0	38.9	13.6	42.0	43.0	2.4
PATAMI margin %	2.9	2.5	2.4	-0.1	-0.5	3.1	2.5	-0.6
PATAMI ex-EI margin %	2.8	2.6	2.3	-0.3	-0.5	3.0	2.4	-0.6
Tax Rate %	27.0	25.1	25.8	0.7	-1.2	26.7	25.5	-1.2
SEGMENTAL	**2Q25**	**1Q26**	**2Q26**	**QoQ%**	**YoY%**	**6M25**	**6M26**	**YoY%**
Revenue:								
Retail	4834.7	6335.1	8937.7	41.1	84.9	9550.7	15272.8	59.9
Commercial	4166.6	4753.2	7088.5	49.1	70.1	8479.3	11841.7	39.7
Convenience	64.3	62.3	65.0	4.3	1.1	128.6	127.3	-1.0
EBIT:								
Retail	163.3	324.5	37.7	-88.4	-76.9	356.2	362.2	1.7
Commercial	179.9	22.5	456.2	1927.4	153.6	360.1	478.7	32.9
Convenience	32.6	36.0	33.4	-7.1	2.5	66.8	69.4	4.0

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	37,951	38,269	45,471	47,905	50,712
EBIT	1,548	1,534	1,819	1,934	2,021
PBT	1,531	1,531	1,803	1,916	2,003
Taxation	-414	-394	-500	-565	-621
PAT	1,117	1,136	1,303	1,351	1,382
MI	30	37	42	46	51
PATAMI	1,087	1,099	1,261	1,305	1,332
Core PATAMI	1,065	1,083	1,247	1,289	1,313
EPS (sen)	107.2	109.0	125.5	129.7	132.2
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	4.9	5.0	5.2

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	1,531	1,531	1,803	1,916	2,003
Depreciation	475	487	469	466	472
OP pre-WC changes	1,888	1,847	2,140	2,261	2,365
Change in NWC	236	2,707	91	136	177
Operating cash flow	**1,769**	**4,179**	**1,868**	**2,037**	**2,183**
Capital expenditure	-375	-492	-568	-686	-640
Investing cash flow	**-212**	**-297**	**-352**	**-454**	**-390**
Debt raised/(repaid)	-57	-74	-79	-73	-63
Dividends paid	-884	-1,103	-1,090	-1,095	-1,106
Financing cash flow	**-951**	**-1,241**	**-1,169**	**-1,168**	**-1,169**
Net cash flow	**607**	**2,641**	**347**	**415**	**625**
Beginning cash flow	**1,507**	**2,114**	**4,755**	**5,080**	**5,484**
Ending cash flow	**2,114**	**4,755**	**5,080**	**5,484**	**6,101**

Growth (%)	2024A	2025A	2026E	2027F	2028F
Revenue growth	1.1	0.8	18.8	5.4	5.9
PBT growth	14.9	0.0	17.8	6.3	4.5
PATAMI growth	15.2	1.2	14.7	3.5	2.0
Core PATAMI growth	15.5	1.6	15.2	3.3	1.9

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
EBIT margin	4.1	4.0	4.0	4.0	4.0
PBT margin	4.0	4.0	4.0	4.0	3.9
PATAMI margin	2.9	2.9	2.8	2.7	2.6
Core PATAMI margin	2.8	2.8	2.7	2.7	2.6
ROA	9.6	9.8	10.2	9.9	0.0
ROE	17.6	17.9	17.8	17.9	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	5,080	5,484	6,101
Current assets	**7,062**	**6,891**	**7,964**	**8,567**	**9,545**
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	5,921	6,155	6,605
Equity	**6,069**	**6,051**	**6,987**	**7,217**	**7,667**

Liquidity Ratios (x)	2024A	2025A	2026E	2027F	2028F
Current ratio	1.5	1.4	1.6	1.5	1.5
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	0.8	0.8	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	59	61	65
DIO	-2	-1	-2	-2	-2
DSO	46	19	21	21	23
DPO	-47	-46	-40	-42	-44

Source: Bloomberg, MBSBR

MBSB RESEARCH is part of MBSB 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 (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: 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