Shariah Compliant

21 February 2025

Energy & Petrochemicals | Oil & Gas Services

Petronas Dagangan (PETD MK)

Neutral (Maintained)

Strong Landing

Target Price (Return):	MYR18.37 (-5%)
Price (Market Cap):	MYR19.3 (USD4,320m)
ESG score:	2.8 (out of 4)
Avg Daily Turnover (MYR/USD)	4.78m/1.07m

- **Keep NEUTRAL, TP drops to MYR18.37 from MYR18.39, 5% downside with c.4% FY25F dividend yield.** Petronas Dagangan's FY24 results came in above expectations on better-than-expected margins, while its 20 sen special DPS was a pleasant surprise. That said, we remain cautious in our outlook, as its share price overhang may persist pending uncertainties over the impending implementation of RON95 subsidy rationalisation starting mid-2025.
- **Above expectations.** At 110% and 104% of our and Street full-year estimates, PETD's FY24 core earnings of MYR1.1bn (+13% YoY) came in above our expectations but within the consensus forecast. The positive deviation was mainly due to stronger-than-expected margins for the commercial division. A fourth interim DPS of 25 sen and special DPS of 20 sen were declared, taking total DPS for FY24 to MYR1.07 (FY23: 80 sen).
- **Results review.** 4Q24 revenue declined by 8% QoQ on lower sales volumes (-3%) and ASPs (-4%). As such, 4Q24 core earnings plunged by 29% QoQ on higher operating expenditure, as well as lower gross profit steaming from an increase in product costs from diesel and Jet A1, amidst a less favourable Mean of Platts Singapore (MOPS) price trend. FY24 revenue improved marginally by 1%, mainly driven by a higher sales volume (+3%) masking weaker ASP (-2%). FY24 core earnings still grew by 13%, on higher gross profit for both segments, due to lower product costs and favourable MOPS price trends, which masked the higher opex.
- **Outlook.** PETD's retail sales volume fell 8% YoY on lower diesel sales, but its commercial sales volume increased by 9% YoY in 4Q24. The convenience segment also continued to deliver improved sales in 4Q24 (+36% YoY, driven by higher Petronas shop merchandise sales). The Government will start implementing targeted subsidies for RON95 petrol in mid-2025, and remains committed to providing subsidies for 85% of the population. It was reported that the Government is considering a payment mechanism with MyKad and e-wallet. Depending on the implementation mechanism, we do not discount the possibility of this having a negative impact on retail sales volume, including a potential reduction in illegally-exported motor gasoline.
- **We maintain our earnings estimates** but our DCF-derived TP drops marginally to MYR18.37 from MYR18.39, after updating the latest net cash profile. Our TP also includes a 4% ESG discount, based on the company's ESG score of 2.8 out of 4. Our TP implies 18x FY25F P/E, ie slightly below -1.5SD from its 5-year mean of 24x.

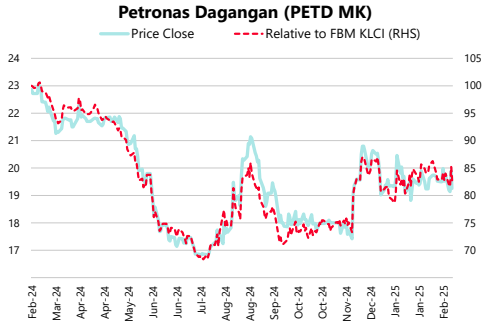
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(0.3)	(0.9)	7.0	3.4	(15.8)
Relative	3.6	(1.2)	8.3	7.4	(17.2)
52-wk Price low/high (MYR)					16.8 –23.1



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	37,549	37,951	37,566	37,938	38,317
Recurring net profit (MYRm)	987	1,113	1,036	1,063	1,024
Recurring net profit growth (%)	30.4	12.8	(6.9)	2.6	(3.6)
Recurring P/E (x)	19.39	17.19	18.47	18.01	18.68
P/B (x)	3.3	3.2	3.1	3.0	2.9
P/CF (x)	na	10.81	9.19	9.77	32.38
Dividend Yield (%)	4.2	5.6	4.3	4.4	4.3
EV/EBITDA (x)	9.80	8.49	8.73	8.27	8.85
Return on average equity (%)	16.3	18.5	17.1	16.9	15.8
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Overall ESG Score: 2.8 (out of 4)

E Score: 2.0 (MODERATE)
S Score: 3.3 (EXCELLENT)
G Score: 4.0 (EXCELLENT)
Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis

Total GHG emissions increased 7.2% YoY to 50,321k tCO2e from 46,940k tCO2e, mainly due to the increase of its Scope 3 emissions where it records purchased goods and services including estimated well-to-tank emissions from refined oil products, LPG, LNG, NGV, biofuels, lubricants, bitumen and petcoke purchased.

Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
Scope 1	63,800	51,600	na	na
Scope 2	93,300	69,400	na	na
Scope 3	43,900,000	50,200,000	na	na
Total emissions	44,057,100	50,321,000	na	na

Source: Company data, RHB

Latest ESG-Related Developments

PETD signed an MoU with Shaziman Transport, Scania Malaysia, and the Malaysian Palm Oil Board to conduct feasibility studies on reducing GHG emissions in the transport segment by piloting the use of B100 fuel in road tankers. The group plans to add solar power systems to 100 more stations, reaching a total of 168 stations by 2024 with the aim to reduce 2,288 tCO2e.

PETD collaborated with Blueshark to validate the electric motorcycle and battery swap business through a pilot run with 14 Battery Swap Stations at PETRONAS stations and it intends to expand this network to further support two-wheeler EVs. PETD installed 25 EV charge points at PETRONAS stations in 2023 and signed a collaboration agreement with Gentari Green Mobility to further expand the installation of EV charge points.

ESG Unbundled

Overall ESG Score: 2.8 (out of 4)

Last Updated: 45,627

E Score: 2.0 (MODERATE)

PETD continues to implement initiatives that address climate change and natural resource preservation. It ramped up using solar energy – it has solarised 68 stations as of 2023 which led to a reduction of 840.6 tCO2e. However, its total GHG emissions increased by 7.2% in 2023. There is good disclosure on environmental impact, efforts, and implementation. PETD recorded one hydrocarbon spill in the year (vs two spills in the previous year.)

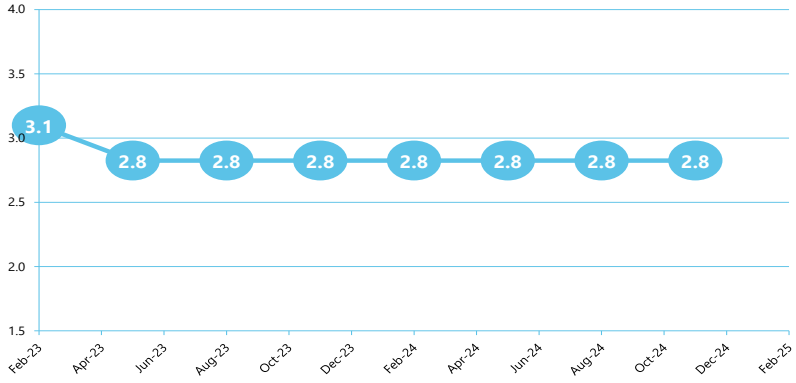
S Score: 3.3 (EXCELLENT)

There is good disclosure on employee relations, health & safety, and community engagement. Benefits include childcare facilities, maternity leave, etc. It has a good track record on health & safety, with no fatalities. The group also decreased its total lost time injuries (LTI) to zero, from four the previous year. PETD is also involved in community outreach programmes such as MESRA x The Lost Food Project and Mangrove Preservation & Community Service at Klinik Desa in Pulau Tub.

G Score: 4.0 (EXCELLENT)

PETD meets requirements and recommendations set by Bursa Malaysia and the Malaysian Code on Corporate Governance. More than half of the Board are independent directors, and women make up 30% of directors. Disclosure and transparency levels are within requirements of Malaysia's regulatory framework, and shareholder rights are well protected.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Energy & Petrochemicals
Petronas Dagangan
PETD MK
NEUTRAL

Valuation basis

DCF

Key drivers

i. Higher contribution from Mesra stores:
ii. Increase in sales volume.

Key risks

i. Decline in sales from Mesra stores;
ii. Weaker sales volume.

Company Profile

Petronas Dagangan is engaged in distributing and marketing gasoline diesel and also LPG products

Financial summary (MYR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring EPS	0.99	1.12	1.04	1.07	1.03
DPS	0.80	1.07	0.83	0.86	0.82
BVPS	5.81	6.01	6.22	6.43	6.64
Return on average equity (%)	16.3	18.5	17.1	16.9	15.8

Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring P/E (x)	19.39	17.19	18.47	18.01	18.68
P/B (x)	3.3	3.2	3.1	3.0	2.9
FCF Yield (%)	(2.9)	7.3	8.9	8.3	1.1
Dividend Yield (%)	4.2	5.6	4.3	4.4	4.3
EV/EBITDA (x)	9.80	8.49	8.73	8.27	8.85
EV/EBIT (x)	13.16	11.09	11.56	10.80	11.65

Income statement (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover	37,549	37,951	37,566	37,938	38,317
Gross profit	37,549	37,951	37,566	37,938	38,317
EBITDA	1,814	2,023	1,871	1,889	1,839
Depreciation and amortisation	(463)	(475)	(459)	(442)	(442)
Operating profit	1,351	1,548	1,412	1,447	1,397
Net interest	(17)	(13)	(11)	(11)	(11)
Pre-tax profit	1,329	1,531	1,397	1,432	1,382
Taxation	(365)	(414)	(331)	(339)	(327)
Reported net profit	941	1,087	1,036	1,063	1,024
Recurring net profit	987	1,113	1,036	1,063	1,024

Cash flow (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Change in working capital	(1,275)	226	554	419	(910)
Cash flow from operations	(87)	1,769	2,083	1,958	591
Capex	(467)	(375)	(375)	(375)	(380)
Cash flow from investing activities	(310)	(212)	(375)	(375)	(380)
Dividends paid	(924)	(884)	(829)	(850)	(819)
Cash flow from financing activities	(985)	(951)	(829)	(850)	(819)
Cash at beginning of period	2,889	1,507	2,114	2,993	3,726
Net change in cash	(1,382)	607	879	733	(608)
Ending balance cash	1,507	2,114	2,993	3,726	3,117

Balance sheet (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total cash and equivalents	1,507	2,114	2,993	3,726	3,117
Tangible fixed assets	4,117	3,995	3,912	3,845	3,783
Total investments	64	58	54	49	45
Total assets	11,487	11,116	11,767	12,060	12,347
Short-term debt	52	13	13	13	13
Total long-term debt	100	95	95	95	95
Total liabilities	5,650	5,047	5,460	5,511	5,563
Total equity	5,837	6,069	6,306	6,549	6,784
Total liabilities & equity	11,487	11,116	11,767	12,060	12,347

Key metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Revenue growth (%)	2.2	1.1	(1.0)	1.0	1.0
Recurrent EPS growth (%)	30.4	12.8	(6.9)	2.6	(3.6)
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
Operating EBITDA margin (%)	4.8	5.3	5.0	5.0	4.8
Net profit margin (%)	2.5	2.9	2.8	2.8	2.7
Dividend payout ratio (%)	84.5	97.8	80.0	80.0	80.0
Capex/sales (%)	1.2	1.0	1.0	1.0	1.0
Interest cover (x)	80.3	119.0	130.8	134.0	129.4

Source: Company data, RHB

Figure 1: 4Q24 results review

FYE Dec (MYRm)	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)	Comments
Revenue	10,075.4	9,727.0	8,992.7	*(7.5%)*	*(10.7%)*	37,549.3	37,950.8	*1.1%*	
EBITDA	**429.3**	**567.6**	**480.9**	*(15.3%)*	*12.0%*	1,804.7	**2,023.5**	*12.1%*	
Depreciation	(124.5)	(123.8)	(121.3)	*(2.0%)*	*(2.6%)*	(453.6)	(475.3)	*4.8%*	
EBIT	**304.7**	**443.8**	**359.6**	*(19.0%)*	*18.0%*	1,351.1	**1,548.1**	*14.6%*	
Interest expense	(6.7)	(2.5)	(6.1)	*nm*	*(9.7%)*	(14.6)	(13.1)	*(10.3%)*	
JV	(12.1)	4.7	8.3	*77.8%*	*(168.3%)*	0.0	0.0	*nm*	
PBT	**285.9**	**446.0**	**361.8**	*(18.9%)*	*26.6%*	1,331.6	**1,530.7**	*14.9%*	
Tax	(102.2)	(105.9)	(101.4)	*(4.2%)*	*(0.7%)*	(364.8)	(414.0)	*13.5%*	
Net profit	**183.7**	**340.1**	**260.3**	*(23.4%)*	*41.7%*	966.8	**1,116.6**	*15.5%*	
EI	**29.4**	**12.8**	**(0.2)**			43.5	26.3		
Core PATAMI	**210.2**	**347.9**	**248.9**	*(28.5%)*	*18.4%*	986.6	**1,112.9**	*12.8%*	Above expectations
Core profit margin (%)	*2.1*	*3.6*	*2.8*			10.5	*2.9*		

Source: Company data, RHB

Figure 2: 4Q24 segmental results

FYE Dec (MYRm)	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)	Comments
Revenue									
Retail	5,094.4	5,111.2	4,862.5	*(4.9%)*	*(4.6%)*	18,837.7	20,208.7	*7.3%*	4Q24: lower sales volume (-8% YoY) offsetting higher ASPs (+4% YoY)
Commercial	4,917.0	4,538.9	4,043.5	*(10.9%)*	*(17.8%)*	18,460.6	17,434.8	*(5.6%)*	4Q24: lower ASP (-18% YoY) masking higher sales volume (+9% YoY)
Convenience	63.9	76.9	86.7	*12.7%*	*35.7%*	251.0	307.3	*22.4%*	Higher Petronas shop merchandise sales
PBT									
Retail	176.4	223.7	217.9	*(2.6%)*	*23.5%*	798.6	884.6	*10.8%*	
Commercial	143.9	205.6	120.9	*(41.2%)*	*(16.0%)*	524.7	611.8	*16.6%*	
Convenience	(15.6)	14.5	20.7	*43.2%*	*nm*	27.7	51.7	*86.5%*	

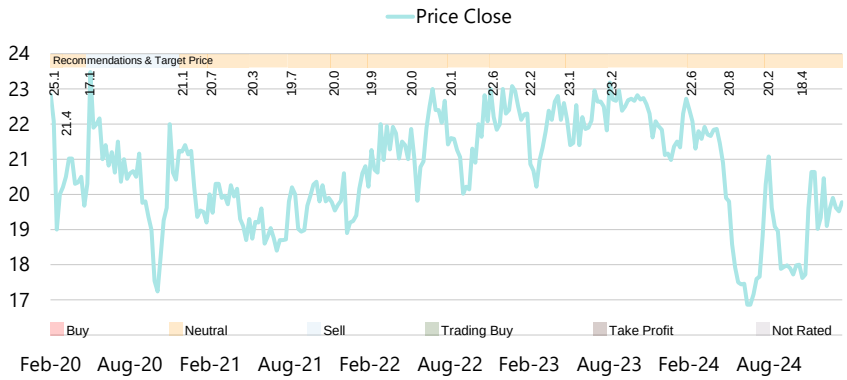
Source: Company data, RHB

Figure 3: DCF valuation

FYE Dec (MYRm)	FY25F	FY26F	FY27F	FY28F	FY29F
EBIT	1412.2	1447.1	1396.8	1429.3	1446.6
EBIT*(1-tax rate)	1087.4	1114.3	1075.5	1100.6	1113.9
Add: D&A	458.6	442.2	442.4	428.5	430.3
Less: WC investments (WC Inv)	554.0	419.3	-910.1	-1.4	-1.4
Less: Fixed investments (FC Inv)	-375.5	-375.5	-380.0	-380.0	-380.0
FCFF	1724.5	1600.3	227.9	1147.7	1162.7
Disc. FCFF	1595.9	1370.4	180.6	841.7	789.1
Terminal value at T=10	17,990.26				
PV of terminal value	12,209.9				
NPV	16,987.73				
Net cash	2,018.87				
Equity value of firm	19,006.61				
ESG premium/(discount)	-4%				
Equity value per share (MYR)	**18.37**				
Rf	3.0%				
Beta (x)	0.9				
Risk premium	5.5%				
CoE	8.1%				
TG (%)	1.5%				
CoD	5.0%				
WACC	8.1%				

Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-11-26	Neutral	18.4	19.1
2024-08-20	Neutral	20.2	18.6
2024-05-22	Neutral	20.8	20.7
2024-02-26	Neutral	22.6	22.7
2023-11-24	Neutral	23.2	22.6
2023-08-29	Neutral	23.2	22.1
2023-05-23	Neutral	23.1	22.3
2023-02-23	Neutral	22.2	22.0
2022-11-29	Neutral	22.6	22.4
2022-08-24	Neutral	20.1	21.9
2022-05-27	Neutral	20.0	21.0
2022-02-23	Neutral	19.9	20.0
2021-11-29	Neutral	20.0	19.7
2021-08-23	Neutral	19.7	18.8
2021-05-27	Neutral	20.3	19.5

Source: RHB, Bloomberg

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