

PP14767/09/2012(030761)

Market Access

Petronas Dagangan Berhad

“Efficient Cost Control”

Results Review

- Actual vs. expectations.** Petronas Dagangan Berhad (PetDag) 6M15 core net profit of RM437 million, excluding exceptional item, came in above ours and consensus estimates respectively, accounting 64% and 60% of ours and consensus full year net profit forecast. Improving 6M15 net profit was mainly pushed by better-than-expected EBIT contribution from both the retail and commercial segment which surged by 27% y-o-y and 62% y-o-y respectively, boosted by the decrease in operating expenditure during the period.
- Dividend.** Declared an interim dividend of 14.0sen/share for the quarter, bringing total dividend to 26.0sen/share for 6M15, translating into a dividend payout ratio of 54% (6M14: 76%), slightly higher than company’s dividend policy of 50%. PetDag dividend in FY15 is expected to touch 57.0sen/share equivalent to 3% yield.
- Top line.** PetDag posted a weaker revenue of RM13 billion (-24% y-o-y) in 6M15 due to the decrease in sales volume by 6% as well as the decline in average selling price by 20%. Retail segment posted a lower revenue contribution of RM7 billion (-16% y-o-y) due to the lower sales volume of diesel impacted by the implementation of managed float system since December 2014. Similarly, commercial segment recorded a lower revenue of RM6 billion that dipped by 32% y-o-y, hammered by the decline in average selling price and sales volume of aviation, fuel oil and diesel.
- Bottom line.** Meanwhile, PetDag achieved a higher EBIT of RM663 million (+38% y-o-y) in 6M15 as retail and commercial segment registered a lower operating expenditure by RM58 million and RM50 million respectively due to lower marketing and promotional

Friday, August 07, 2015

HOLD (TP: RM19.71)

Current Price (RM)	RM21.44
New Target Price (RM)	RM19.71
Previous Fair Value (RM)	RM18.90
Previous Recommend.	SELL
Upside To Target Price	-8%
Dividend Yield (FY16)	3%

Stock Code

Bloomberg	PETD MK
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Stock & Market Data

Listing	MAIN MARKET
Sector	Oil and Gas
Shariah Compliance	Yes
Issued Shares (mn)	994
Market Cap (RM mn)	20,942
YTD Chg In Share Price	25%
Beta (x)	0.99
52-week Hi/Low (RM)	22.52 14.39
3M Average Volume (shrs)	0.49mn
Estimated Free Float	13%

Major Shareholders

Petronas	70%
Skim ASB	5%

Results Review - Petronas Dagangan Berhad

expenses coupled with the variation in bonus payment which attributable to lower manpower expenses. Overall, PetDag's EBIT margin in 6M15 stood at 5%, slightly higher against 6M14 margin of 3%.

- Outlook.** Moving forward, PetDag has planned to allocate RM500 million of capex for FY15 to spur the growth in retail segment, targeting to add between 20-30 new petrol stations in FY15 versus 42-45 new stations for the past two years. 7 new stations has commenced operation in 1Q15. We are positive on this aggressive expansion plan amid the group aims to become a market leader in Malaysia's petroleum retailer in the next two to four years by taking over the retail leadership from Shell which currently has about 36% market shares. PetDag's market share now stands at approximately 31%-32%. Meanwhile, PetDag cash pile jumped to RM1.9 billion as at 6M15 (FY14: RM1.8 billion) with the abolishment of the petrol subsidy scheme and hence we expect the group to be able to sustain the dividend payments of more than 50% of its earnings for FY15.
- Change to forecast.** We have done some housekeeping exercise and came out with new FY15 and FY16 earnings forecast of RM702 million (+40% y-o-y) and RM729 million (+4% y-o-y) respectively which to be fuelled by i) rapid capacity expansion of 20 to 30 Petronas stations per year and ii) higher sales volume from commercial segment.
- Valuation & recommendation.** PetDag is valued at RM19.71 based on 27x PER (1- SD below 3 years average PER of 32x) pegged to FY16 EPS of 73sen and the stock is a **HOLD**. Re-rating catalyst may come from 1) aggressive regional expansion and 2) non-fuel segment such as Mesra convenience stores.

Table 1: Peers Comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
SapuraKencana	Jan	2.34	19	20	13.2	12.3	1.1	1.0	10	1	2.95	Buy
Wah Seong	Dec	1.32	14	15	9.5	8.8	0.9	0.9	13	4	1.38	Hold
Bumi Armada	Dec	1.06	7	10	15.3	11.1	1.0	0.9	4	1	1.32	Buy
Dialog Group	Jun	1.59	5	5	31.4	29.9	4.5	4.5	15	1	1.70	Hold
Alam Maritim	Dec	0.48	5	6	9.3	7.9	0.5	0.5	7	NA	0.56	Hold
MMHE	Dec	1.05	8	8	14.3	15.0	0.7	0.7	5	NA	1.20	Hold
PetDag	Dec	21.44	74	81	28.9	26.1	3.4	3.4	12	2	19.71	Hold
Dayang	Dec	1.96	21	24	9.7	8.7	1.8	1.4	22	3	2.64	Buy
UMW-OG	Dec	1.25	9	11	16.2	12.4	0.9	0.8	7	1	2.21	Buy
Perisai	Dec	0.38	3	6	15.6	7.1	0.4	0.4	2	NA	NR	NR
Perdana Petroleum	Dec	1.54	8	13	18.6	11.6	1.7	1.4	12	1	NR	NR
TH Heavy	Dec	0.19	(1)	2	NA	10.5	0.5	0.4	(26)	NA	NR	NR
Petra Energy	Dec	1.00	12	15	8.7	7.1	0.6	0.6	7	2	NR	NR
Deleum	Dec	1.30	16	18	8.0	7.5	1.7	1.4	23	6	NR	NR
Uzma	Dec	2.33	20	24	12.5	10.4	2.3	1.9	18	2	NR	NR
KNM	Dec	0.57	7	7	8.8	7.8	0.5	0.4	3	NA	NR	NR
Average					14.7	12.1	1.4	1.3	8	2		

Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	29,515	32,342	32,341	32,517	33,739
EBITDA	1,468	1,442	1,069	1,285	1,334
EBIT	1,174	1,125	728	956	992
Net Finance cost	(11)	(19)	(21)	(13)	(13)
Share of JCE	2	4	2	2	2
PBT	1,165	1,109	709	945	981
Net profit	837	812	501	702	729
EPS (sen)	84	82	50	71	73
EBITDA margin	5%	4%	3%	4%	4%
EBIT margin	4%	3%	2%	3%	3%
PBT margin	4%	3%	2%	3%	3%
Net profit margin	3%	3%	2%	2%	2%
PER (x)	27.9	38.5	33.9	30.3	29.2
P/BV (x)	4.9	6.5	3.6	4.4	4.2
Dividend (sen)	105	70	60	57	59
Dividend yield	4%	2%	4%	3%	3%

Source: Bursa Malaysia, M&A Securities

Table 3: Results Analysis

YE: Dec (RM million)	2Q14	1Q15	2Q15	q-o-q	y-o-y	6M14	6M15	y-o-y
Revenue	8,368	6,101	6,493	6%	-22%	16,662	12,594	-24%
EBIT	253	287	376	31%	49%	481	663	38%
Finance cost	(2)	(4)	(3)	-37%	26%	(8)	(7)	-13%
PBT	251	284	374	32%	49%	474	658	39%
Taxation	(62)	(76)	(100)	31%	60%	(128)	(176)	37%
Net profit	186	206	273	33%	47%	341	479	41%
EPS (sen)	19	21	28	33%	47%	34	48	41%
EBIT margin	3%	5%	6%			3%	5%	
PBT margin	3%	5%	6%			3%	5%	
Net profit margin	2%	3%	4%			2%	4%	
Effective tax rate	25%	27%	27%			27%	27%	

Source: Bursa Malaysia, M&A Securities

Table 4: Segmental Analysis

YE: Dec (RM million)	2Q14	1Q15	2Q15	q-o-q	y-o-y	6M14	6M15	y-o-y
Revenue								
Retail	4,024	3,220	3,450	7%	-14%	7,954	6,670	-16%
Commercial	4,339	2,874	3,037	6%	-30%	8,699	5,911	-32%
Segmental Results								
Retail	144	137	208	51%	45%	272	346	27%
Commercial	97	143	160	12%	64%	187	302	62%

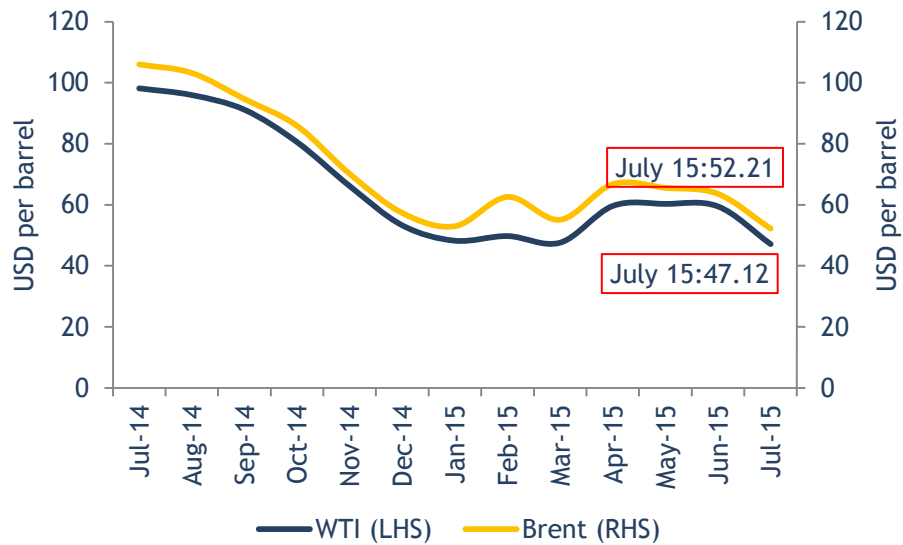
Source: Bursa Malaysia, M&A Securities

Table 5: Key Indicator

	FY12	FY13	FY14	FY15F	FY16F
Sales volume (mil litres)	14,887	16,252	15,647	16,152	16,675
Sales volume growth (%)	1%	9%	-4%	3%	3%
Petrol stations	1,027	1,069	1,114	1,144	1,174

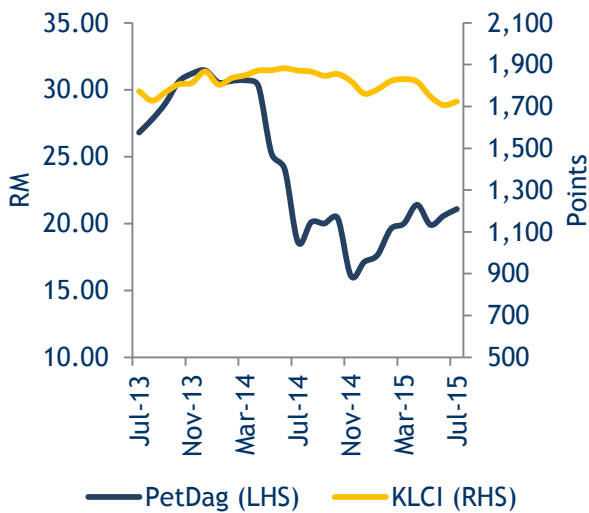
Source: Company, M&A Securities

WTI vs. Brent Crude Oil Price
(July 2014-July 2015)



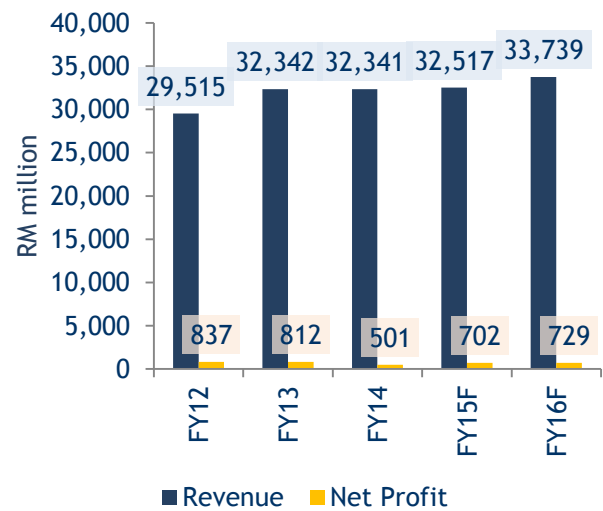
Source: Bloomberg

PetDag Share Price vs. KLCI
(July 2013-July 2015)



Source: Bloomberg, M&A Securities

Revenue and Net Profit
(FY12-FY16F)



M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

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