

23 February 2022

Petronas Dagangan Bhd

FY21 Within Expectations

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FY21 results came in well within expectations, with earnings recovered thanks to increased economic activities during the year. With the easing of movement restrictions, the group should continue seeing a gradual recovery of its sales volumes. However, the Omicron variant coupled with the rising Covid-19 cases could pose some risk should movement restrictions be reimposed. Maintain MP with higher TP of RM20.10.

FY21 within expectations. FY21 core net profit of RM548m came in well within expectations at 100%/96% of our/consensus full-year earnings estimates. Announced interim dividend of 26.0 sen per share is also deemed to be within expectation – bringing full-year dividends to 70.0 sen per share.

An overall better set of results. Sequentially, 4QFY21 saw improved earnings, thanks to the improved sales volumes following the lifting of interstate travel ban in Oct 2021. Meanwhile, FY21 earnings almost doubled YoY, with the group enjoying higher product prices, while volumes stayed marginally flattish YoY (-2%).

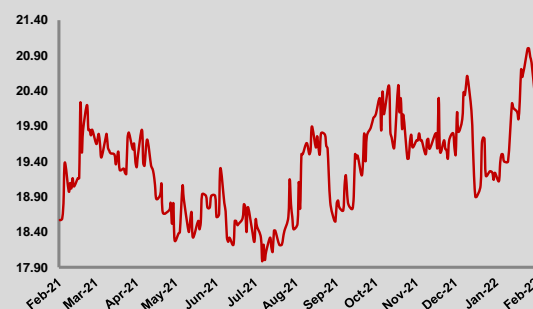
Sales volumes dependent on movement restriction easing. With the easing of movement restrictions country-wide, PETDAG should see continued recovery in its sales volumes. However, with that said, given the emergence of the Omicron variant coupled with the rising number of Covid-19 cases in the country, any reimposition of movement restrictions would pose a risk to current sales and earnings projections.

Maintain MARKET PERFORM, with a higher TP of RM20.10 (from RM18.90 previously), as we roll forward our valuation base-year, pegged to an unchanged PER of 26x – broadly in-line with the group's mean valuation. Post results, we made no changes to our FY22E numbers, while introducing new FY23E numbers.

MARKET PERFORM ↔

Price: RM19.98
Target Price: RM20.10 ↑

Share Price Performance



KLCI 1,576.96
YTD KLCI chg 0.6%
YTD stock price chg -3.0%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker PETD MK Equity
Market Cap (RM m) 19,849.2
Shares outstanding 993.5
52-week range (H) 21.44
52-week range (L) 18.26
3-mth avg daily vol: 267,132
Free Float 16%
Beta 0.8

Major Shareholders

Petroleum Nasional Bhd 63.9%
Employees Provident Fund 11.6%
Amanah Saham Bumiputera 8.5%

Summary Earnings Table

| FY Dec (RM m) | 2021A | 2022E | 2023E |
|------------------------------|------------|------------|------------|
| Revenue | 22,505 | 22,729 | 24,104 |
| EBIT | 751 | 977 | 1,036 |
| PBT | 741 | 961 | 1,020 |
| Net Profit | 530 | 723 | 768 |
| Core Net Profit (CNP) | 548 | 723 | 768 |
| Consensus (CNP) | | 709 | 806 |
| Earning Revision (%) | | - | NEW |
| EPS (sen) | 55.2 | 72.8 | 77.3 |
| EPS growth (%) | 92.7 | 31.9 | 6.2 |
| DPS (sen) | 70.0 | 72.8 | 77.3 |
| BV/Share (RM) | 5.62 | 5.62 | 5.62 |
| PER (x) | 36.2 | 27.4 | 25.9 |
| PBV (x) | 3.6 | 3.6 | 3.6 |
| Net-Gearing (x) | N.Cash | N.Cash | N.Cash |
| Div. Yield (%) | 3.5 | 3.6 | 3.9 |

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| Results Highlights | | | | | | | | |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E : Dec (RM'm) | 4Q FY21 | 3Q FY21 | Q-o-Q Chg | 4Q FY20 | Y-o-Y Chg | 12M FY21 | 12M FY20 | Y-o-Y Chg |
| Revenue | 7,057.4 | 5,200.7 | 35.7% | 4,394.8 | 60.6% | 22,505.3 | 18,710.9 | 20.3% |
| Operating profit | 203.4 | 167.6 | 21.4% | 119.1 | 70.8% | 751.2 | 402.5 | 86.6% |
| Finance cost | (4.2) | (2.3) | 84.8% | (4.0) | 6.1% | (11.6) | (16.0) | -27.4% |
| Associates and JV | 0.6 | 0.3 | 113.1% | 0.3 | 94.5% | 1.2 | (0.1) | N.M. |
| Profit before taxation | 199.8 | 165.5 | 20.7% | 115.4 | 73.2% | 740.8 | 386.4 | 91.7% |
| Taxation | (61.7) | (45.9) | 34.4% | (27.7) | 122.4% | (209.5) | (114.0) | 83.8% |
| Non-controlling interests | (0.9) | (0.3) | 190.3% | 1.6 | -156.9% | (1.5) | (3.6) | -58.4% |
| Net profit | 137.2 | 119.3 | 15.0% | 89.2 | 53.8% | 529.8 | 276.0 | 92.0% |
| Core Net profit | 160.1 | 119.1 | 34.4% | 98.5 | 62.6% | 548.3 | 284.6 | 92.7% |
| Operating margin | 2.9% | 3.2% | | 2.7% | | 3.3% | 2.2% | |
| PBT margin | 2.8% | 3.2% | | 2.6% | | 3.3% | 2.1% | |
| Net margin | 1.9% | 2.3% | | 2.0% | | 2.4% | 1.5% | |
| Core net margin | 2.3% | 2.3% | | 2.2% | | 2.4% | 1.5% | |
| Effective tax rate | 30.9% | 27.7% | | 24.0% | | 28.3% | 29.5% | |

Source: Company

| Segmental Breakdown | | | | | | | | |
|----------------------------|------------|------------|--------------|------------|--------------|-------------|-------------|--------------|
| Y/E : Dec (RM'm) | 4Q FY21 | 3Q FY21 | Q-o-Q Chg | 4Q FY20 | Y-o-Y Chg | 12M FY21 | 12M FY20 | Y-o-Y Chg |
| Revenue | | | | | | | | |
| Retail | 3,890.1 | 2,779.5 | 40.0% | 2,785.7 | 39.6% | 12,612.6 | 11,178.3 | 12.8% |
| Commercial | 3,159.0 | 2,415.4 | 30.8% | 1,606.7 | 96.6% | 9,867.9 | 7,521.1 | 31.2% |
| PBT | | | | | | | | |
| Retail | 135.4 | 103.1 | 31.3% | 85.7 | 58.0% | 483.3 | 222.6 | 117.1% |
| Commercial | 59.5 | 72.2 | -17.6% | 45.7 | 30.2% | 283.6 | 222.9 | 27.2% |
| PBT margins | | | | | | | | |
| Retail | 3.5% | 3.7% | | 3.1% | | 3.8% | 2.0% | |
| Commercial | 1.9% | 3.0% | | 2.8% | | 2.9% | 3.0% | |

Source: Company

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Peer Comparison

| Name | Last Price | Market | Shariah | Current | Revenue Growth | | Core Earnings Growth | | PER (x) - Core Earnings | | | PBV (x) | | ROE (%) | Net Div.Yld. (%) | Target | Rating |
|------------------------------|------------|------------|-----------|---------|----------------|-------------|----------------------|---------------|-------------------------|-------------|-------------|------------|------------|-------------|------------------|------------|--------|
| | (RM) | Cap (RM'm) | Compliant | FYE | 1-Yr. Fwd. | 2-Yr. Fwd. | 1-Yr. Fwd. | 2-Yr. Fwd. | Hist. | 1-Yr. Fwd. | 2-Yr. Fwd. | Hist. | 1-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd. | Price (RM) | |
| BUMI ARMADA BHD | 0.515 | 3,042.1 | N | 12/2021 | 4.7% | -0.4% | 35.9% | -13.2% | 6.4 | 4.7 | 5.4 | 1.0 | 0.8 | 18.6% | 0.0% | 0.570 | OP |
| DAYANG ENTERPRISE HLDGS BHD | 0.820 | 949.4 | Y | 12/2022 | 7.0% | 7.9% | 37.4% | 18.9% | 21.7 | 15.8 | 13.3 | 0.7 | 0.7 | 4.5% | 0.0% | 1.00 | OP |
| DIALOG GROUP BHD | 2.72 | 15,347.8 | Y | 06/2022 | 13.5% | 49.2% | 1.7% | 13.2% | 28.9 | 28.4 | 25.1 | 3.3 | 3.1 | 11.3% | 1.1% | 3.30 | OP |
| MISC BHD | 7.19 | 32,094.3 | Y | 12/2022 | 8.5% | 4.8% | 4.3% | 2.6% | 17.0 | 16.3 | 15.9 | 0.9 | 0.9 | 5.7% | 4.6% | 7.90 | OP |
| PETRONAS CHEMICALS GROUP BHD | 9.14 | 73,120.0 | Y | 12/2021 | 48.1% | -8.1% | 247.1% | -34.4% | 38.1 | 11.0 | 16.7 | 2.4 | 2.2 | 20.7% | 4.6% | 8.75 | MP |
| PETRONAS DAGANGAN BHD | 19.98 | 19,849.2 | Y | 12/2022 | 1.0% | 6.0% | 31.9% | 6.2% | 36.2 | 27.5 | 25.8 | 3.6 | 3.6 | 13.0% | 3.6% | 20.10 | MP |
| SAPURA ENERGY BHD | 0.040 | 639.2 | Y | 01/2022 | -15.1% | -21.7% | -920.9% | -120.5% | N.A. | N.A. | N.A. | 0.1 | 0.1 | -32.3% | 0.0% | 0.040 | UP |
| UZMA BHD | 0.540 | 190.1 | Y | 06/2022 | 15.2% | 10.0% | 4.6% | 11.9% | 8.0 | 7.6 | 6.8 | 0.4 | 0.4 | 4.9% | 0.0% | 0.670 | OP |
| VELESTO ENERGY BHD | 0.130 | 1,068.0 | Y | 12/2021 | -44.1% | 15.0% | -548.7% | -139.0% | N.A. | N.A. | N.A. | 0.5 | 0.5 | -8.6% | 0.0% | 0.100 | UP |
| WAH SEONG CORP BHD | 0.715 | 553.6 | Y | 12/2021 | -14.8% | 41.7% | -132.8% | -20.6% | N.A. | N.A. | 38.7 | 0.8 | 0.8 | -2.6% | 0.0% | 0.630 | UP |
| YINSON HOLDINGS BHD | 5.15 | 5,489.9 | N | 01/2022 | -6.6% | -15.5% | -20.3% | -18.1% | 8.8 | 11.1 | 13.5 | 3.1 | 2.5 | 24.7% | 1.2% | 7.35 | OP |
| Simple Average | | | | | 1.6% | 8.1% | -114.5% | -26.6% | 20.6 | 15.3 | 17.9 | 1.5 | 1.4 | 5.5% | 1.4% | | |

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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