Dialog Group

Storage for Green Products in Johor

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OUTPERFORM ↔

Price:	**RM2.36**
Target Price:	**RM3.23** ↑

DIALOG is expanding its storage capacity at Langsat Terminal 3 (DTL3) by an additional 150,000m³, of which two thirds will be dedicated to renewable products, and the balance for petroleum products. We estimate that the latest investment will add RM0.05/share to its valuation. We maintain our forecasts but upgrade our TP by 2% to RM3.23 (from RM3.18). Maintain OUTPERFORM.

DIALOG announced that it will be expanding its storage facilities at Langsat Terminal 3 (DTL3) in Tanjung Langsat, Johor, by adding 150,000m3 of storage capacity for renewable and petroleum products. The first 100,000m3 is dedicated to EcoCeres Limited, a subsidiary of EcoCeres Inc., while the remaining 50,000m³ is expected to be leased to third-party customers such as multinational companies and trading houses. The expansion is expected to be completed in 1QFY27.

DTL3 secured a take-or-pay storage agreement with EcoCeres Limited for the dedicated 100,000m3 of storage, which serves as a catalyst for the expansion of the terminal. This agreement follows EcoCeres' announcement of a significant investment in a new production facility in Pasir Gudang, Johor Darul Ta'zim, Malaysia. The new biorefinery, expected to be operational in 2HCY25, is strategically located less than 1km from DTL3 and will have a direct connection to DTL3's storage tanks via rundown pipelines.

Based on a tank terminal rate assumption of SGD7/month/m3, we estimate that the new storage facility expansion will bring a recurring PAT of RM18m per annum to the group based on 90% utilisation. With a WACC assumption of 7.7%, the announced expansion will result in an estimated RM0.05/share accretion to the group's SoP valuation. This is a significant win for the group, as rates are more favourable for dedicated terminals. Additionally, the storage of renewable products like sustainable aviation fuel (SAF) and hydrotreated vegetable oil (HVO) dedicated for EcoCeres enhances DIALOG's ESG portfolio.

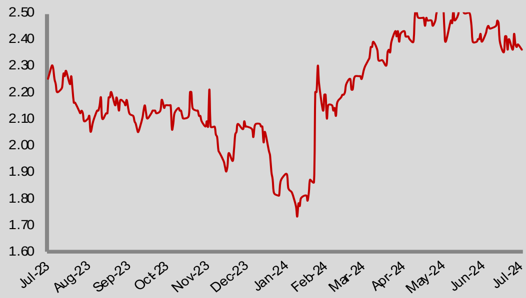
Forecasts. Maintained.

Valuations. We upgrade our SoP-TP by 2% to RM3.23 from RM3.18 after imputing the DCF valuation from the announced expansion. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Investment case. We continue to like DIALOG for: (i) margin recovery at its plant maintenance, EPCC and specialist product businesses, (ii) its earnings growth and diversification driven by the forays into upstream investments, including production assets (its current portfolio of Production Sharing Contracts includes Baram Junior Cluster, D35/D21/J4 and Concession L53/48 in Thailand), and (iii) its strong track record in project execution. Maintain **OUTPERFORM.**

Risks to our call include: (i) prolonged and intensifying cost pressures, (ii) delay in capacity expansion plans, and (iii) reduced utilisation of tank terminals.

Share Price Performance



KLCI	1,624.56
YTD KLCI chg	11.7%
YTD stock price chg	14.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	DLG MK Equity
Market Cap (RM m)	13,316.6
Shares Outstanding	5,642.6
52-week range (H)	2.64
52-week range (L)	1.72
3-mth avg. daily vol.	7,463,848
Free Float	48%
Beta	1.3

Major Shareholders

Ngau Boon Keat	19.1%
Employees Provident Fund	15.0%
Kumpulan Wang Persaraan	10.0%

Summary Earnings Table

FYE June (RM m)	2024A	2025F	2026F
Revenue	850.0	909.5	991.4
Operating profit	190.8	340.7	342.9
Profit Before Tax	1135.0	1253.9	1318.3
Net Profit	**510.5**	**574.1**	**597.8**
Core Net Profit	**504.2**	**574.1**	**597.8**
Consensus (NP)	-	575.5	592.1
Earning Revision (%)	-	-	-
Core EPS (sen)	8.9	10.2	10.6
CNP Growth (%)	0.0	13.9	4.1
DPS (sen)	3.8	4.3	4.5
BV/share (RM)	5.8	6.0	6.2
PER (x)	26.4	23.2	22.3
PBV (x)	0.4	0.4	0.4
Net Gearing (%)	0.1	0.0	0.0
Div. Yield (%)	1.6	1.8	1.9

Sum-of-Parts (SoP) Valuation

	RM m	Valuation assumption
Downstream business (EPCC and O&M)	2,155.5	Based on 9x PER
Kertih Centralised Tankage Facilities (30%)	676.7	FCFF @ 7.7% discount rate
Tanjung Langsat Terminals Facility 1 (100%)	1,638.7	FCFF @ 7.7% discount rate
Pengerang Phase 1 (45.9%)	2,369.0	FCFF @ 7.7% discount rate
Pengerang Phase 1 expansion (45.9%)	1,827.4	FCFF @ 7.7% discount rate
Pengerang Phase 2 (25%)	4,779.8	FCFF @ 7.7% discount rate
Pengerang Phase 3 (25%)	1,050.9	FCFF @ 7.7% discount rate
Pengerang LNG	849.4	FCFF @ 7.7% discount rate
Phase 3 land value (Pengerang)	479.6	
Bayan PSC	1,847.3	
D35/D21/J4 PSC	738.9	
Expected net cash/(debt)	-207.6	
Total SoP	**18,205.7**	
No of Shares (m)	5,638.0	
SoP per share (RM)	**3.23**	

Source: Kenanga Research

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Income Statement

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Revenue	980.6	1029.6	850.0	909.5	991.4
EIT	310.1	278.1	190.8	340.7	342.9
Interest	-26.4	-40.1	-71.6	-57.8	-55.7
Associate	227.4	251.6	364.0	334.6	352.4
PBT	595.0	740.8	1135.0	1253.9	1318.3
Taxation	-51.9	-44.4	-33.3	-63.1	-64.0
MI	0.1	2.1	-10.1	-13.0	-10.6
Net Profit	543.1	508.0	510.5	574.1	597.8
Core profit	**525.0**	**504.3**	**504.2**	**574.1**	**597.8**

Balance Sheet

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Fixed Assets	2782.0	2710.6	2750.1	2954.6	3140.6
Intangible	835.1	807.1	922.4	922.4	922.4
Other LT assets	2201.5	2533.5	2897.9	2886.7	2921.2
Inventories	43.7	73.5	70.9	87.4	92.1
Receivables	620.7	859.9	904.6	943.7	993.8
Other CA	40.8	22.3	45.1	45.1	45.1
Cash	1453.4	1840.3	1720.6	1754.9	1948.8
Total Assets	7977.2	8847.1	9311.6	9594.9	10064.1
Payables	747.5	740.7	907.0	1016.7	1070.8
ST Borrowings	297.7	337.2	298.8	298.8	298.8
Other ST Liability	70.3	70.5	60.3	60.3	60.3
LT Borrowings	1637.9	2026.9	1863.7	1663.7	1713.7
Other LT Liability	24.9	19.3	21.5	21.5	21.5
Minorities Int.	102.3	99.1	85.2	98.3	108.9
Perpetual	498.9	498.9	498.9	498.9	498.9
Net Assets	**4597.7**	**5054.4**	**5576.1**	**5936.6**	**6291.1**
Share Capital	1697.8	1698.3	1698.3	1698.3	1698.3
Reserves	2899.9	3356.1	3877.8	4238.3	4592.8
Equity	**4597.7**	**5054.4**	**5576.1**	**5936.6**	**6291.1**

Cashflow Statement

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Operating CF	530.9	520.3	750.2	627.1	592.2
Investing CF	-604.7	-293.4	-295.5	-121.4	-149.3
Financing CF	322.6	153.9	-598.0	-471.4	-248.9

Financial Data & Ratios

FY Dec	2021A	2022A	2023A	2024F	2025F
Growth (%)					
Revenue	-30.1	44.0	29.4	-2.0	5.3
EBIT	-19.0	-10.3	-31.4	78.6	0.7
PBT	-22.2	-7.5	0.7	17.4	3.4
Net Profit	-10.2	-3.9	0.0	13.9	4.1
Profitability (%)					
EBIT	31.6	27.0	22.4	37.5	34.6
PBT Margin	60.7	71.9	133.5	137.9	133.0
Net Margin	53.5	49.0	59.3	63.1	60.3
Effective Tax Rate	8.7	6.0	2.9	5.0	4.9
ROA	2.20	6.6	5.7	5.4	6.0
ROE	11.4	10.0	9.0	9.7	9.5
DuPont Analysis					
Net Margin (%)	53.5	49.0	59.3	63.1	60.3
Assets Turnover (x)	0.1	0.1	0.1	0.1	0.1
Leverage Factor (x)	1.7	1.8	1.7	1.6	1.6
ROE (%)	11.4	10.0	9.0	9.7	9.5
Leverage					
Debt/Asset	0.2	0.3	0.2	0.2	0.2
Debt/Equity	0.4	0.4	0.4	0.3	0.3
N. Debt/(Cash	482.3	523.8	441.9	207.6	63.7
Net Debt/Equity (x)	0.1	0.1	0.1	0.0	0.0
Valuations					
EPS (sen)	9.3	8.9	8.9	10.2	10.6
DPS (sen)	3.1	3.4	3.8	4.3	4.5
BVPS (RM)	5.7	5.6	5.8	6.0	6.2
PER (x)	25.4	26.4	26.4	23.2	22.3
Div. Yield	1.3	1.4	1.6	1.8	1.9
P/BV (x)	0.4	0.4	0.4	0.4	0.4

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
BUMI ARMADA BHD	MP	0.555	0.580	4.5%	3,290.0	N	12/2024	13.8	12.6	144.4%	-8.8%	4.0	4.4	MP	0.555	0.580	4.5%
DAYANG ENTERPRISE HLDGS BHD	OP	2.91	3.31	13.7%	3,369.1	Y	12/2024	20.8	25.4	10.1%	22.4%	14.0	11.5	OP	2.91	3.31	13.7%
DIALOG GROUP BHD	OP	2.36	3.23	34.7%	13,316.6	Y	06/2024	10.2	10.6	13.9%	4.1%	23.2	22.3	OP	2.36	3.23	34.7%
KEYFIELD INTERNATIONAL	OP	2.50	3.00	20.0%	2,003.5	Y	12/2024	18.3	27.3	43.7%	49.1%	13.7	9.2	3.0	31.4%	4.00	1.6%
MISC BHD	MP	8.67	8.09	-6.7%	38,700.7	Y	12/2024	52.9	52.3	9.7%	-1.2%	16.4	16.6	1.0	5.9%	30.00	3.5%
PETRONAS CHEMICALS GROUP	MP	5.90	6.28	6.4%	47,200.0	Y	12/2024	34.8	41.9	71.3%	20.3%	16.9	14.1	1.1	6.8%	17.41	3.0%
PETRONAS DAGANGAN BHD	OP	17.28	23.70	37.2%	17,166.9	Y	12/2024	99.7	109.8	1.1%	10.1%	17.3	15.7	2.9	16.9%	79.78	4.6%
PETRON MALAYSIA REFINING	MP	4.48	4.74	5.8%	1,209.6	Y	12/2024	99.6	89.6	-1.1%	-10.0%	4.5	5.0	0.5	10.6%	20.00	4.5%
VELESTO ENERGY BHD	OP	0.225	0.340	51.1%	1,848.5	Y	12/2024	1.8	2.3	46.6%	28.8%	12.7	9.8	0.7	5.7%	0.00	0.0%
WASCO BHD	OP	1.26	1.70	34.9%	975.6	Y	12/2024	13.0	16.4	251.0%	26.6%	9.7	7.7	1.2	13.3%	2.00	1.6%
YINSON HOLDINGS BHD	OP	2.44	3.04	24.6%	7,284.1	N	01/2025	14.7	14.8	22.1%	1.1%	16.6	16.4	1.4	8.6%	4.00	1.6%
SECTOR AGGREGATE					**137,547.0**					**33.1%**	**8.8%**	**15.3**	**14.1**	**1.5**	**11.5%**		**1.8%**

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★	★	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★			
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★			
SPECIFIC	Transition to Low-Carbon Future	★	★			
	Conservation & Biodiversity	★	★	★		
	Effluent/Waste Management	★	★	★		
	Water Management	★	★	★		
	Supply Chain Management	★	★	★		
	Energy efficiency	★	★	★		
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

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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