

Petronas Dagangan

Stable Outlook in 2026

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In an analyst briefing, PETDAG stated that cost to transition to the targeted subsidy for gasoline is minimal to the group. The government is looking to change the APM structure with timeline uncertain, but we believe this could involve increasing the petrol dealers' margin to provide them cash flows buffer amid higher working capital requirements. Its commercial division is expected to remain strong in terms of volume growth in 2026 but margins could be suppressed if jet fuel prices remain elevated (higher jet fuel price trend could affect margins as selling price are fixed for a time) We maintain our forecasts, TP of RM21.20 and MARKET PERFORM call.

We came away from PETDAG's analysts briefing feeling reassured of its near-term prospects. The key takeaways are as follows:

- For its retail division, the cost for the group to cater for identification post subsidy rationalisation posted minimal costs to the group as the system was already in place. However, the government, based on The Edge, has stated that the government will announce a revised rate for the automatic pricing mechanism soon (date unknown) to ensure the continued viability of petrol stations following the implementation of the targeted subsidy (cash flow requirement increases as dealer must purchase fuel at full market price first).
- On top of that, general operating expenses at petrol stations have been rising, further squeezing dealers' margins. This could prompt changes to the Automatic Pricing Mechanism (APM) to allocate a larger share of profits to dealers. However, it is still too early to assess the potential impact on PETDAG, as the exact details of any APM adjustments remain unclear. Nevertheless, we believe that revisions to APM are likely necessary to ensure dealers' financial sustainability, which in turn safeguards PETDAG's distribution network.
- Jet fuel demand outlook appears to remain strong in 2026 particularly with Visit Malaysia 2026 and given PETDAG's market dominance, securing lock-ins (for months potentially) would not be an issue for PETDAG. However, price fluctuations in jet fuels might result in quarterly margins for the commercial division to be more volatile but will eventually even out for the full year due to lagging gains or losses. Given the elevated jet fuel price trend, commercial margins are expected to sustain at best moving forward.

Forecasts. Maintained.

We maintain our DCF-based TP of RM21.20 with a WACC of 11% and a terminal growth rate of 0%. There is no change in our valuation based on ESG given a 3-star ESG rating as appraised by us (see Page 5).

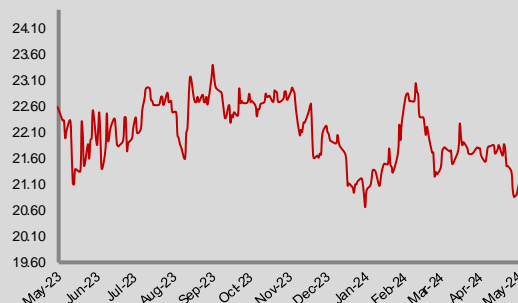
We like PETDAG for its: (i) highly cash generative business that translates to high capacity to pay dividends, (ii) still growing retail business volumes, and (iii) growing convenience division revenue on stronger demand for Café Mesra. Nevertheless, the recent surge in share price has in our view priced the company to perfection as we do not expect the group to chart higher growth rates in its sales volumes especially in the retail division due to the gradual adoption of EV while its commercial division's business could be cyclical at times. Maintain **MARKET PERFORM**.

Risks to our call include: (i) worse-than-expected subsidy rationalisation impact, (ii) the global economy slips into a recession and derails recovery of international air travel, and (iii) faster-than-expected EV adoption in the domestic market which could hurt its gasoline sales.

MARKET PERFORM ↔

Price: RM20.04
Target Price: RM21.20 ↔

Share Price Performance



KLCI 1,629.18
YTD KLCI chg 12.0%
YTD stock price chg -6.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PETD MK Equity
Market Cap (RM m)	20,286.3
Shares outstanding	993.5
52-week range (H)	23.60
52-week range (L)	20.30
3-mth avg. daily vol.	444,556
Free Float	14%
Beta	0.7

Major Shareholders

Petroleum Nasional Bhd	63.9%
Employees Provident Fund	11.8%
Amanah Saham Bumiputera	8.7%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Revenue	37951	34360	34386
EBIT	1531	1378	1383
PBT	1531	1483	1516
Net Profit	1087	1097	1122
Core Net Profit (CNP)	1106	1097	1122
Consensus (CNP)	-	1124	1159
Earnings Revision (%)	-	-	-
Core EPS (sen)	111.3	110.4	113.0
EPS growth (%)	13.2	-0.8	2.3
DPS (sen)	89.1	88.3	90.4
BV/Share (RM)	6.01	6.23	6.46
PER (x)	18.7	18.8	18.4
PBV (x)	3.5	3.3	3.2
Net-Gearing (x)	-0.3	-0.5	-0.5
Div. Yield (%)	4.3	4.2	4.3

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	OP	0.305	0.450	47.5%	1,808.0	Y	12/2025	6.1	5.4	-45.7%	-10.9%	5.0	5.6	0.4	7.6%	0.0	0.0%
DAYANG ENTERPRISE HLDGS BHD	MP	1.59	1.60	0.6%	1,840.9	Y	12/2025	13.6	16.0	-42.3%	17.4%	11.7	10.0	1.0	8.3%	10.0	6.3%
DIALOG GROUP BHD	OP	1.83	2.28	24.6%	10,326.1	Y	06/2026	10.4	11.4	31.4%	9.7%	17.6	16.0	1.7	9.9%	5.0	2.7%
KEYFIELD INTERNATIONAL	MP	1.61	1.57	-2.5%	1,297.3	Y	12/2025	14.0	17.5	-49.6%	24.3%	11.5	9.2	1.7	15.6%	6.0	3.7%
MISC BHD	OP	7.72	8.55	10.8%	34,460.1	Y	12/2025	50.1	52.1	2.9%	4.0%	15.4	14.8	0.9	5.9%	36.0	4.7%
PETRONAS CHEMICALS GROUP	OP	3.00	4.70	56.7%	24,000.0	Y	12/2025	(6.1)	10.3	-	70.4%	N.A.	29.1	0.6	-1.3%	5.0	1.7%
PETRONAS DAGANGAN BHD	MP	20.12	21.20	5.4%	19,988.3	Y	12/2025	110.4	113.0	-0.8%	2.3%	18.2	17.8	3.2	18.0%	88.0	4.4%
VELESTO ENERGY BHD	MP	0.225	0.250	11.1%	1,848.5	Y	12/2025	2.0	2.1	-21.5%	7.3%	11.3	10.6	0.7	6.1%	3.0	13.3%
WASCO BHD	OP	0.965	1.17	21.2%	747.2	Y	12/2025	1.5	1.7	-41.5%	9.4%	63.3	57.8	6.1	10.1%	5.0	5.2%
SECTOR AGGREGATE					105,697.7					-29.3%	33.9%	21.0	15.6	1.7	8.7%		3.7%

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★			
	Corporate Social Responsibility	★	★	★	★	
	Management/Workforce Diversity	★	★	★	★	
	Accessibility & Transparency	★	★			
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★		
SPECIFIC	Diversification from pure O&G	★	★			
	Emission Targets and Climate Goals	★	★	★		
	Occupational Health and Safety	★	★	★	★	
	Pollution control	★	★	★		
	Supply chain auditing	★	★	★		
	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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