

03 June 2026

Petronas Dagangan

Volume Jitters Look Overblown

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PETDAG's 1Q26 results were within ours and street's estimates with a DPS of 18 sen declared. Overall, the retail division was the main earnings driver this quarter due to an improvement in margins led by favourable product pricing whereas the commercial divisions suffered as fuel price movements worked against its margins. We believe that similar trends are expected to persist at least in the short term (1HFY26) but may normalize in 2HFY26. The recent 16% drop in share price is seen overly steep as it already reflects a potential T20 subsidy removal given this segment approximates 16% of its overall business volume. Moreover, we see this risk as transient as historically upon any subsidy removal a knee jerk reaction on volumes will materialize before normalizing longer term. Thus, we maintain our DCF target of RM21.20 but upgrade the stock to **OUTPERFORM** from **MARKET PERFORM**.

Within expectations. 1Q26 core profit of RM279.3m (after excluding RM3.7m inventory gains) was within ours and consensus expectations at 24%. A DPS of 18 sen was also declared, still roughly in line with expectations.

Commercial weakened instead of being the anchor. YoY, 1Q26 revenue surged 34% due to growth in top line from both retail (due to 15% increase in selling price and 8% increase in sales volume) and commercial business segments (combination of both volume and price). Core profit declined 5% as reduction in commercial margins overpowered retail margin improvements.

Commercial and retail switched places. QoQ, the group's revenue improved by 5% due to largely equal topline growth across its retail and commercial divisions. Core profit, on the other hand improved 7% as retail margin expansion was unable to offset reduction in commercial division margins.

Outlook. Commercial margins remain under pressure in the near term due to the volatile movement of fuel prices. Some airline contracts are fixed for a period of time and eventually contract prices will be renewed at more reasonable levels. This will be offset by stronger retail margins as uptrend in retail product prices would be favourable for its margins.

Forecasts. Maintained.

We maintain our DCF-based TP at RM21.20 with a WACC of 11% and a terminal growth rate of 0%. There is no change to 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 commercial volumes, and (iii) growing convenience division's revenue on stronger demand for Café Mesra.

Upgrade to **OUTPERFORM** from **MARKET PERFORM** as we believe that the market has overvalued the risk of a potential subsidy reduction with relation to T20.

Risks to our call include: (i) worse-than-expected subsidy rationalization 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.

OUTPERFORM ↑

Price: **RM17.74**
Target Price: **RM21.20** ↔

Share Price Performance



KLCI 1,683.07
YTD KLCI chg 0.2%
YTD stock price chg -10.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PETD MK Equity
Market Cap (RM m)	17,623.9
Shares outstanding	993.5
52-week range (H)	23.58
52-week range (L)	17.12
3-mth avg. daily vol.	1,455,359
Free Float	25%
Beta	1.1

Major Shareholders

Petroleum Nasional Bhd	63.9%
Employees Provident Fund	12.3%
Amanah Saham Nasional	7.7%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Revenue	38269	34386	34412
EBIT	1534	1367	1361
PBT	1531	1578	1572
Net Profit (NP)	1099	1162	1157
Core NP (CNP)	1099	1162	1157
Consensus (CNP)		1174	1202
Earnings Revision (%)		-	-
Core EPS (sen)	110.6	116.9	116.5
EPS Growth (%)	-0.6	5.7	-0.4
DPS (sen)	112.0	93.5	93.2
BV/Share (RM)	6.01	6.24	6.47
PER (x)	16.0	15.2	15.2
PBV (x)	3.0	2.8	2.7
Net Gearing (x)	-0.8	-0.7	-0.7
Div. Yield (%)	6.3	5.3	5.3



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Result Highlights

FYE Dec (RM m)	1Q FY26	4Q FY25	Q-o-Q Chg	1Q FY25	Y-o-Y Chg
Revenue	11,150.6	10,578.5	5.4%	9,093.0	22.6%
Operating profit	385.7	365.9	5.4%	407.4	-5.3%
Finance cost	(2.7)	(5.9)	-54.3%	(3.5)	-23.4%
Associates and joint ventures	6.2	1.3	367.3%	5.3	16.9%
Profit before taxation	389.2	361.4	7.7%	409.2	-4.9%
Taxation	(97.9)	(88.1)	11.1%	(108.1)	-9.4%
Non-controlling interests	(8.4)	(14.4)	-41.9%	(7.6)	10.7%
Net profit	283.0	258.9	9.3%	293.5	-3.6%
EI	(3.7)	3.5	-203.1%	0.0	-
Core Net profit	279.3	262.4	6.5%	293.5	-4.8%
Core EPS (sen)	1,677.8	26.4	6251.7%	29.5	111.6%
DPS (sen)	18.0	46.0	-60.9%	20.0	-103.0%
Operating margin	3.5%	3.5%		4.5%	
PBT margin	3.5%	3.4%		4.5%	
Net margin	2.5%	2.4%		3.2%	
Core net margin	2.5%	2.5%		3.2%	
Effective tax rate	25.1%	24.4%		26.4%	

Source: Company, Kenanga Research

Segmental Breakdown

FYE Dec (RM m)	1Q FY26	4Q FY25	Q-o-Q Chg	1Q FY25	Y-o-Y Chg
Revenue					
Retail	6,335.1	5,986.8	5.8%	4,716.0	34.3%
Commercial	4,735.3	4,527.0	4.6%	4,312.7	9.8%
Convenience	62.3	64.7	-3.7%	64.3	-3.1%
EBIT					
Retail	325.3	114.0	185.4%	191.5	69.9%
Commercial	24.4	220.4	-88.9%	178.3	-86%
Convenience	36.0	25.7	40.1%	34.1	5.6%
EBIT margins					
Retail	5.1%	1.9%		4.1%	
Commercial	0.5%	4.9%		4.1%	
Convenience	57.8%	39.7%		53.0%	

Source: Company, Kenanga Research

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	0.325	0.410	26.2%	1,926.6	Y	12/2026	4.0	3.6	-27.0%	-10.6%	8.1	9.1	0.4	5.2%	82.0	2.5%
DAYANG ENTERPRISE HLDGS BHD	OP	1.80	2.45	36.1%	2,084.0	Y	12/2026	16.1	18.8	7.8%	17.0%	11.2	9.6	1.1	9.8%	11.0	6.1%
DIALOG GROUP BHD	OP	1.99	2.63	32.2%	11,228.9	Y	06/2026	10.4	11.8	31.4%	12.8%	19.1	16.9	1.8	9.9%	5.0	2.5%
LIANSON FLEET GROUP BHG	OP	1.67	2.40	43.7%	1,943.4	Y	12/2026	20.6	27.3	142.4%	32.3%	8.1	6.1	1.0	13.2%	400.0	2.4%
KEYFIELD INTERNATIONAL	OP	1.60	2.00	25.0%	1,292.2	Y	12/2026	10.2	18.0	-25.6%	76.1%	15.7	8.9	1.6	10.5%	6.0	3.8%
MISC BHD	OP	8.15	8.60	5.5%	36,379.5	Y	12/2026	47.3	49.5	-0.4%	4.6%	17.2	16.5	1.1	6.2%	36.0	4.4%
PETRONAS CHEMICALS GROUP	OP	5.21	5.40	3.6%	41,680.0	Y	12/2026	29.5	13.2	275.0%	-55.4%	17.6	39.5	1.1	6.5%	15.0	2.9%
PETRONAS DAGANGAN BHD	OP	17.74	21.20	19.5%	17,623.9	Y	12/2026	116.9	116.5	5.7%	-0.4%	15.2	15.2	2.8	19.1%	94.0	5.3%
UZMA BHD	OP	0.425	0.700	64.7%	256.5	Y	06/2026	14.8	15.9	6.9%	7.5%	2.9	2.7	0.2	8.5%	0.0	0.0%
VELESTO ENERGY BHD	MP	0.305	0.320	4.9%	2,521.0	Y	12/2026	1.7	2.1	-18.7%	19.3%	17.7	14.8	1.1	6.0%	3.0	9.8%
WASCO BHD	OP	0.795	1.32	66.0%	615.6	Y	12/2026	1.4	1.7	-37.5%	23.1%	58.2	47.3	5.0	9.0%	5.0	6.3%
YINSON HOLDINGS BHD	OP	1.98	2.84	43.4%	5,786.3	N	01/2027	16.6	20.4	20.3%	22.3%	11.9	9.7	1.2	10.1%	6.0	3.0%
SECTOR AGGREGATE					123,338.0					68.1%	-11.3%	15.9	18.0	1.5	9.5%		4.5%

Source: Kenanga Research

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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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Published by:

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