Dialog Group

More Baram Field Upside

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DIALOG announced its FID into a second gas field (Fatimah) within the Baram Junior Cluster with similar announced capex after achieving first gas in its first gas field (Salbiah). With an assumed RM25.0/mmbtu gas price and production of 8 years (starting in CY2029), we arrive at a DCF value accretion of RM0.10/share to the group. Given that the group has proven its track record in the first field, the execution risk for its second gas field should be lower. We maintain our forecasts, lift SOP TP to RM2.75 from RM2.65 and maintain our OUTPERFORM call.

DIALOG announced that it has achieved commercial production for its Salbiah Gas Field (of which the field development plan had been approved in January 2025). Note that the field is in the Baram Junior Cluster with SFA PSC secured in 2023.The group also announced the final investment decision (FID) for a second gas field (Fatimah Gas Field) which will involve an additional capex of USD211m. The field size is expected to be similar to Salbiah Gas Field as the estimated capex remains similar.

Pencilling in a gas price assumption of RM25.0/mmbtu, which is conservative versus latest MRP (weighted-average FOB price of exports of LNG from Malaysia at RM35.8/mmbtu (refer to link) and a production period of 8 years, we arrive at a DCF accretion of RM0.10/share to the group at the WACC of 8.6%. We assume conservatively as the SFA PSC will end in 2036 and we did not assume any extensions.

Outlook. Going into FY27, the tank terminal segment will continue to demonstrate resilient growth, which we expect to persist due to the tight storage situation in Asia. The pillar of growth for DIALOG will be in the upstream segment with multiple projects in the pipeline such as: (i) Baram Junior Cluster gas field which is expected to commence in CY27 (10-year production), (ii) Cendramas PSC (existing producing field with 25% stake) starting 3QCY26, and (iii) Raja and Mutiara Small Field Asset (SFA) (currently in 2-year pre-development phase and if successful could start production in CY29). We have not imputed any further upside of its SFA assets in the upstream and this could contribute to potential upgrades to the group's valuation if further developments are announced.

Forecasts. Maintained.

Valuations. We increase our SoP-based TP slightly to RM2.75 (from RM2.65) as we factor in the DCF for the Fatimah gas field. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

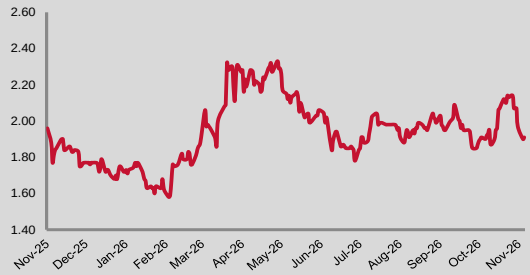
Investment case. We continue to like DIALOG for: (i) potential for long term growth in its tank terminal business particularly in Pengerang, (ii) its earnings growth driven by forays into upstream investment particularly on the small field assets, which could see upsides to reserves upon development, and (iii) its early exposure in the low-carbon storage solutions while enjoying a take-or-pay rental structure which ensures higher earnings consistency. Maintain **OUTPERFORM.**

Risks to our call include: (i) reversal of the easing cost pressures trend, (ii) delay in capacity expansion plans, and (iii) reduced utilization of independent tank terminals

OUTPERFORM ↔

Price: **RM1.91**
Target Price: **RM2.75** ↑

Share Price Performance



KLCI	1,595.19
YTD KLCI chg	-5.1%
YTD stock price chg	13.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	DLG MK Equity
Market Cap (RM m)	10,778.5
Shares Outstanding	5,643.2
52-week range (H)	2.33
52-week range (L)	1.58
3-mth avg. daily vol.	7,135,273
Free Float	78%
Beta	1.08

Major Shareholders

Ngau Boon Keat	16.5%
Employees Provident Fund	10.7%
Kumpulan Wang Persaraan	7.8%

Summary Earnings Table

FYE June (RM m)	2026A	2027F	2028F
Revenue	2884.7	3569.3	3718.1
Operating profit	222.0	424.2	488.5
Profit Before Tax	717.7	759.5	844.8
Net Profit	**593.6**	**663.0**	**731.9**
Core Net Profit	**594.4**	**663.0**	**731.9**
Consensus (NP)		623.2	639.0
Earning Revision (%)		-	-
Core EPS (sen)	10.5	11.7	13.0
CNP Growth (%)	95.6	11.5	10.4
DPS (sen)	4.7	5.9	6.5
BV/share (RM)	1.1	1.1	1.2
PER (x)	18.1	16.3	14.7
PBV (x)	1.8	1.7	1.6
Net Gearing (%)	0.0	0.0	0.0
Div. Yield (%)	2.5	3.1	3.4

Sum-of-Parts (SoP) Valuation

	RM m	Valuation assumption
Downstream business (EPCC and O&M)	3,063.3	Based on 9x PER
Kertih Centralised Tankage Facilities (30%)	448.8	FCFF @ 8.6% discount rate
Tanjung Langsat Terminals Facility 1 (100%)	1,431.7	FCFF @ 8.6% discount rate
Pengerang Phase 1 (45.9%)	1,618.1	FCFF @ 7.9% discount rate
Pengerang Phase 1 expansion (45.9%)	840.4	FCFF @ 7.9% discount rate
Pengerang Phase 2 (25%)	2,659.6	FCFF @ 7.9% discount rate
Pengerang Phase 3 (100%)	548.0	FCFF @ 7.9% discount rate
Pengerang Phase 3 extension (100%)	209.8	FCFF @ 7.9% discount rate
Pengerang LNG	479.6	FCFF @ 8.6% discount rate
Bayan PSC	1,397.4	FCFF @ 8.6% discount rate
D35/D21/J4 PSC	558.9	FCFF @ 8.6% discount rate
Raja, Cendramas, Mutiara & Baram PSC	2,136.6	FCFF @ 8.6% discount rate
Pengerang Terminals 2 (biorefinery)	109.8	FCFF @ 6.3% discount rate
Expected net cash/(debt)	-6.6	
Total SoP	**15,495.5**	
No of shares (m)	5,638.0	
SoP per share (RM)	**2.75**	

Source: Kenanga Research

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Income Statement

FY Jun (RM m)	2024A	2025A	2026A	2027F	2028F
Revenue	3151.9	2501.6	2884.7	3569.3	3718.1
EIT	302.5	54.8	222.0	424.2	488.5
Interest	-63.7	-48.8	-54.7	-55.1	-56.5
Associate	309.9	293.2	280.7	356.7	378.0
PBT	679.1	375.9	717.7	759.5	844.8
Taxation	-73.8	-66.2	-92.9	-80.6	-93.4
MI	-30.3	-5.9	-31.3	-34.0	-34.3
Net Profit	575.0	303.8	593.6	663.0	731.9
Core profit	**606.0**	**447.4**	**594.4**	**663.0**	**731.9**

Balance Sheet

FY Jun (RM m)	2024A	2025A	2026A	2027F	2028F
Fixed Assets	2794.1	2644.0	2713.5	2921.4	3109.4
Intangible	993.0	926.9	1290.6	1290.6	1290.6
Other LT assets	2847.4	2868.7	2774.4	2864.4	2903.6
Inventories	94.7	73.7	128.9	106.0	110.5
Receivables	789.2	483.4	751.2	1144.6	1192.4
Other CA	39.1	20.3	6.2	6.2	6.2
Cash	1572.8	1669.9	1837.3	1834.6	2077.6
Total Assets	9130.3	8686.9	9502.1	10167.9	10690.2
Payables	822.0	809.0	999.3	1233.3	1284.7
ST Borrowings	127.7	724.1	123.1	123.1	123.1
Other ST Liability	74.3	28.2	32.0	32.0	32.0
LT Borrowings	1574.8	861.1	1818.2	1868.2	1919.2
Other LT Liability	23.8	20.8	26.9	26.9	26.9
Minorities Int.	64.5	3.5	22.0	56.0	90.3
Perpetual	498.9	498.9	498.9	498.9	498.9
Net Assets	**5944.2**	**5741.3**	**5981.8**	**6329.5**	**6715.2**
Share Capital	1698.4	1698.6	1698.6	1698.6	1698.6
Reserves	4245.8	4042.7	4283.1	4630.9	5016.6
Equity	**5944.2**	**5741.3**	**5981.8**	**6329.5**	**6715.2**

Cashflow Statement

FY Jun (RM m)	2024A	2025A	2026A	2027F	2028F
Operating CF	1187.0	1016.3	1036.3	499.1	705.3
Investing CF	-551.1	-478.9	-939.1	-199.6	-125.4
Financing CF	-788.6	-417.6	87.9	-302.3	-337.0

Financial Data & Ratios

FY Jun (RM m)	2024A	2025A	2026A	2027F	2028F
Growth (%)					
Revenue	5.0	-20.6	15.3	23.7	4.2
EBIT	58.6	-81.9	305.3	91.0	15.2
PBT	22.6	-44.7	91.0	5.8	11.2
Net Profit	20.4	-49.9	95.6	11.5	10.4
Profitability (%)					
EBIT	9.6	2.2	7.7	11.9	13.1
PBT Margin	21.5	15.0	24.9	21.3	22.7
Net Margin	19.2	17.9	20.6	18.6	19.7
Effective Tax Rate	10.9	17.6	12.9	10.6	11.1
ROA	2.20	6.6	5.1	6.3	6.5
ROE	10.2	7.8	9.9	10.5	10.9
DuPont Analysis					
Net Margin (%)	19.2	17.9	20.6	18.6	19.7
Assets Turnover (x)	0.3	0.3	0.3	0.4	0.3
Leverage Factor (x)	1.5	1.5	1.6	1.6	1.6
ROE (%)	10.2	7.8	9.9	10.5	10.9
Leverage					
Debt/Asset	0.2	0.2	0.2	0.2	0.2
Debt/Equity	0.3	0.3	0.3	0.3	0.3
N. Debt/(Cash	129.8	-84.7	103.9	156.6	-35.3
Net Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
Valuations					
EPS (sen)	10.7	5.4	10.5	11.7	13.0
DPS (sen)	4.5	2.7	4.7	5.9	6.5
BVPS (RM)	1.1	1.0	1.1	1.1	1.2
PER (x)	17.8	35.5	18.1	16.3	14.7
Div. Yield	2.4	1.4	2.5	3.1	3.4
P/BV (x)	1.8	1.9	1.8	1.7	1.6

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	0.320	0.350	9.4%	1,897.0	Y	12/2026	3.5	3.6	-35.4%	1.4%	9.1	8.9	0.4	4.7%	2.0	6.3%
DAYANG ENTERPRISE HLDGS BHD	OP	1.25	2.35	88.0%	1,447.2	Y	12/2026	9.9	18.1	-33.5%	82.1%	12.6	6.9	0.8	6.1%	9.0	7.2%
DIALOG GROUP BHD	OP	1.91	2.75	37.7%	10,778.5	Y	06/2027	10.4	11.8	31.4%	12.8%	18.3	16.2	1.7	9.9%	5.0	2.6%
LIANSON FLEET GROUP BHG	MP	1.48	1.54	4.1%	1,679.9	Y	12/2026	11.3	19.1	33.3%	68.2%	13.0	7.8	1.0	7.5%	4.0	2.7%
KEYFIELD INTERNATIONAL	OP	1.40	1.88	34.3%	1,131.8	Y	12/2026	8.6	17.1	-37.0%	97.9%	16.2	8.2	1.4	9.0%	5.0	3.6%
PETRONAS CHEMICALS GROUP	MP	4.26	4.24	-0.5%	34,080.0	Y	12/2026	29.5	13.2	275.0%	-55.4%	14.4	32.3	0.9	6.5%	15.0	3.5%
PETRONAS DAGANGAN BHD	OP	19.52	21.60	10.7%	19,392.2	Y	12/2026	123.5	123.1	11.6%	-0.3%	15.8	15.9	3.1	20.1%	99.0	5.1%
UZMA BHD	OP	0.320	0.700	118.8%	194.4	Y	06/2027	14.8	15.9	6.9%	7.5%	2.2	2.0	0.2	8.5%	0.0	0.0%
VELESTO ENERGY BHD	OP	0.175	0.320	82.9%	1,446.3	Y	12/2026	1.7	2.1	-18.7%	19.3%	10.1	8.5	0.6	6.0%	3.0	17.1%
WASCO BHD	OP	0.670	1.02	52.2%	518.8	Y	12/2026	1.0	1.3	-52.2%	24.3%	64.2	51.6	4.1	6.5%	7.0	10.4%
SECTOR AGGREGATE					**113,366.2**					**75.2%**	**-12.6%**	**13.7**	**15.7**	**1.4**	**8.8%**		**5.5%**

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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