

Petronas Dagangan Berhad

(5861 | PETD MK) Consumer Products & Services | Retailers



Company Update: A Resilient Year Ahead

Maintain BUY. We are positive on Petronas Dagangan Bhd's (PDB) outlook in 2026, owing to the inelastic demand of its products, underpinned by strong domestic demand and the Visit Malaysia initiative. We revised our **target price** lower to **RM23.64** from RM25.19, after incorporating a revised PE of 19.3x to reflect its 3-year PE average, pegged with EPS26 of 122.5 sen. We like PDB due to its continuously stable business model, strong brand, consistent profitability, and attractive dividend yields. PDB is also actively expanding its non-fuel businesses, notably in new energy sectors and green fuels, which may provide re-rating catalysts.

Retail Fuel Business to recover in 2026. The Retail segment is expected to recover in 2026 after a weaker 2025 performance due to the declining MOPS prices trend. Although the MOPS price trend is still a concern, strong fuel demand is expected in 2026, driven by Visit Malaysia Year 2026 (VMY2026) and sustained domestic consumption. PDB is likely to record higher sales volumes in the retail segment, supported by increased tourist arrivals and robust domestic economic activity.

Expansions of petrol stations and Mesra Café also provide another growth avenue in the Retail Business. PDB currently operates approximately 1,100 petrol stations in Malaysia and plans to open 3 to 4 new stations annually. It also operates about 80 Mesra Café stores nationwide. This segment is expected to contribute over 15% of PBT in the long term, up from the current 10%, supported by store expansion and extended offerings from F&B partners.

Jet Fuel to propel Commercial Business in 2026. We are positive on the Commercial Business as we expect Jet fuel demand, which contributes around 50% to the Commercial Business, to remain strong in 2026, to be supported by expected increase in air travel from VMY2026. While price fluctuations may cause quarterly margin volatility in the commercial division, these are likely to balance out over the year. Given the elevated jet fuel price trend, commercial margins are expected to be sustained in 2026.

Sustainable Oil Fuel may provide long-term growth. PDB aims to produce sustainable aviation fuel (SAF) in-house by 2028-2029 in Pengerang, with a planned capacity of 650,000 tonnes per year. This aligns with the Government's SAF blending mandate of 1% from 2027, increasing to 47% by 2050.

Valuation is still attractive. We set a target price of RM23.64 for PDB, based on a 3-year mean PER of 19.3x and FY26 EPS of 122.5 sen. PDB's stable business model, strong brand, and consistent profitability support this valuation. The company's expansion into non-fuel businesses, particularly new energy and green fuels are another catalyst for the company in the long term.

The risks to our call include: (i) further subsidy rationalization by the government, (ii) sharp declining of MOPS price (iii) weaker than expected global economic condition, and (iv) quicker adoption of electric vehicles.

Maintain BUY

Revised Target Price **RM23.64**
(from RM25.19)

RETURN STATISTICS

Price @ 7 th January 2026 (RM)	19.96
Expected share price return (%)	+18.4
Expected dividend yield (%)	+6.5
Expected total return (%)	+24.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.9	-1.0
3months	0.0	-15.4
12 months	0.7	-3.0

INVESTMENT STATISTICS

FYE Dec (RM m)	2025E	2026F	2027F
Revenue	38,851	39,755	40,764
Operating Profit	1,687	1,758	1,886
Profit Before Tax	1,675	1,741	1,868
Core PATAMI	1,123	1,177	1,267
Core EPS	117.4	122.5	131.5
DPS	109.1	118.6	125.3
Dividend Yield	6.0	6.5	6.8

KEY STATISTICS

FBM KLCI	1,676.83
Issue shares (m)	993.45
Estimated free float (%)	24.91
Market Capitalisation (RM'm)	19829.34
52-wk price range	RM16.1 - RM23.8
3-mth average daily volume (m)	0.54
3-mth average daily value (RM'm)	11.23
Top Shareholders (%)	
Petroliam Nasional Bhd	63.92
Employees Provident Fund Board	13.26
Amanah Saham Nasional Bhd	8.07

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FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F	
Revenue	37,549	37,951	38,851	39,755	40,764	PBT	1332	1531	1675	1741	1868	
EBIT	1,351	1,548	1,687	1,758	1,886	Depreciation	463	475	489	494	505	
PBT	1,332	1,531	1,675	1,741	1,868	OP pre-WC changes	1693	1889	2072	2127	2242	
Taxation	-365	-414	-478	-494	-530	Change in NWC	-1780	-120	-311	-261	-277	
PAT	967	1,117	1,196	1,247	1,337	Operating cash flow	-87	1769	1761	1866	1965	
MI	24	30	30	30	30	Capital expenditure	-467	-376	-442	-474	-505	
PATAMI	943	1,087	1,166	1,217	1,307	Investing cash flow	-310	-212	-292	-315	-328	
Core PATAMI	905	1,040	1,123	1,177	1,267	Debt raised/(repaid)	-50	-58	-62	-55	-52	
						Dividends paid	-924	-884	-836	-850	-891	
EPS (sen)	94.9	109.4	117.4	122.5	131.5	Financing cash flow	-985	-951	-1007	-1089	-1203	
PER (x)	23.4	20.3	19.0	18.2	16.9	Net cash flow	-1382	607	462	462	435	
DPS (sen)	80.0	107.0	109.1	118.6	125.3	Beginning cash flow	2851	1479	1989	2411	2833	
Dividend yield (%)	4.4	5.8	6.0	6.5	6.8	Ending cash flow	1479	1989	2411	2833	3228	
Growth (%)	2023A	2024A	2025E	2026F	2027F	Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F	
Revenue growth	2.1	1.1	2.4	2.3	2.5	EBIT margin	3.6	4.1	4.3	4.4	4.6	
PBT growth	17.3	14.9	9.4	3.9	7.3	PBT margin	3.5	4.0	4.3	4.4	4.6	
PATAMI growth	19.7	15.2	7.3	4.3	7.4	PATAMI margin	2.5	2.9	3.0	3.1	3.2	
Core PATAMI growth	16.6	14.9	8.0	4.8	7.7	Core PATAMI margin	2.4	2.7	2.9	3.0	3.1	
						ROA	7.9	9.4	9.3	8.8	9.0	
Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F	ROE	15.5	17.1	17.1	16.9	17.4	
PPE	4,117	3,995	4,016	4,024	4,032	Liquidity Ratios (x)		2023A	2024A	2025E	2026F	2027F
ROU assets	62	56	67	84	110	Current ratio	1.3	1.5	1.5	1.5	1.5	
Non-current assets	4,181	4,053	4,085	4,111	4,145	Quick ratio	0.3	0.5	0.5	0.5	0.5	
Trade receivables	5,634	4,764	5,305	6,185	6,468	Leverage Ratios (x)		2023A	2024A	2025E	2026F	2027F
Cash & bank balances	1,507	2,114	2,411	2,833	3,228	Debt-to-equity	1.0	0.8	0.8	0.9	0.9	
Current assets	7,307	7,063	8,001	9,236	9,901	Interest coverage	92.7	118.5	114.6	111.0	108.2	
Long-term debt	100	95	97	101	104	Efficiency Ratios (days)		2023A	2024A	2025E	2026F	2027F
Non-current liabilities	210	213	218	222	224	Cash conversion cycle	4	2	4	4	3	
Short-term debt	52	13	27	29	32	DIO	1	2	3	2	2	
Trade payables	5,357	4,732	5,153	5,981	6,347	DSO	55	46	50	57	58	
Current liabilities	5,440	4,833	5,289	6,157	6,550	DPO	52	46	48	55	57	
Share capital	994	994	994	994	994							
Reserves	4,775	4,977	5,308	5,674	6,090							
Equity	5,837	6,069	6,577	6,968	7,272							

Source: Bloomberg, MBSBR

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

★★★★	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
★★★	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
★★	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
★	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology