

Petronas Dagangan Berhad

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



Maintain **BUY**

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

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.

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 (%) | |
| Petroleum 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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MBSB INVESTMENT BANK (formerly known MIDF INVESTMENT BANK) : GUIDE TO RECOMMENDATIONS

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