

Malaysia

**ADD** (no change)

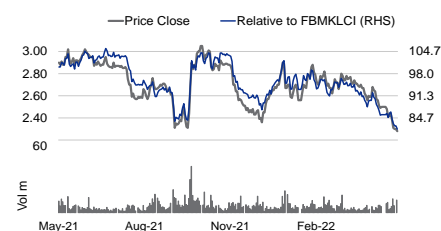
Consensus ratings\*: Buy 16 Hold 1 Sell 0

Current price:	RM2.28
Target price:	RM2.77
Previous target:	RM3.58
Up/downside:	21.5%
CGS-CIMB / Consensus:	-22.0%
Reuters:	DIAL.KL
Bloomberg:	DLG MK
Market cap:	US\$2,931m
	RM12,865m
Average daily turnover:	US\$2.99m
	RM12.69m
Current shares o/s:	5,642m
Free float:	56.0%

\*Source: Bloomberg

**Key changes in this note**

- FY22F core EPS forecast reduced by 2% on various housekeeping matters.
- FY23-24F core EPS forecasts cut by 11-12% due to higher-than-expected operating costs at its various downstream businesses and lower tank terminal utilisation, which have more than offset the stronger oil prices.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-12.3	-18.3	-23
Relative (%)	-9.7	-14.8	-20.8

Major shareholders	% held
Tan Sri Dr Ngau Boon Keat	21.3
EPF	13.3
KWAP	9.0

**Analyst(s)**



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# Dialog Group Bhd

## Decent performance despite challenges

- 9MFY6/22 core net profit was below expectations (72% of our and 66% of consensus FY22F) due to higher opex and lower tank terminal utilisation.
- We cut our FY23-24F core EPS estimates by 11-12%, and reduce our SOP-based TP to RM2.77 on the back of higher cost of equity assumptions.
- Reiterate Add on Dialog's long-term Pengerang growth potential (valued at 46 sen), with Dialog's existing businesses valued at RM2.31.

### 3QFY22 flattish as EPCC cost challenges offset higher oil prices

3QFY22 core net profit of RM127m was 3.2% lower yoy (but 0.9% higher qoq) due to various factors that include cost pressure at its downstream EPCC business as a result of Covid-19-related progress delays, high logistics costs, and commodity price inflation, which have been recurring issues over the past six quarters, and which have caused project cost overruns. The utilisation rates on Dialog's non-industrial tank terminals (PITSB and Langsat) probably weakened as oil stocks have been falling over the past two years on a global level due to OPEC+ underproduction. These factors offset the uplift from higher oil prices that likely benefitted its two producing oilfields and any contribution from Langsat 3's small 85k cbm capacity commissioned in late-CY21, as well as offset higher downstream sales of specialist products and services, higher plant maintenance work, and higher EPCC job volumes. In addition, Dialog's interest burden rose as it issued an additional RM500m in sukuk bonds in Jan 2022 at 4.53% p.a.

### Quarterly earnings trading water for six quarters, but resilient

Nevertheless, Dialog's quarterly core net profit has remained healthy over the past six quarters, hovering within a tight range of RM119m to RM131m; this shows the resiliency of its diversified business model across the up, mid and downstream segments. For 9MFY22, Dialog's core net profit was down only 3.2% yoy, despite the multiple challenges during the Covid-19 pandemic. Dialog said it was in discussions for the reimbursement of project cost overruns with its clients; based on industry feedback, we think the probability of significant recovery is low, hence any recovery will be a bonus.

### Reduce target price on higher cost of equity (Ke)

We cut our SOP-based TP from RM3.58 to RM2.77 to reflect the higher risk-free rate in Malaysia, which rose over the past three months from 3.3% to 4.4%. As such, we have discounted future cashflows from Dialog's existing tank terminal businesses at a higher Ke of 8.6% (vs. 7.5% previously), keeping the target beta unchanged at 0.7. We now also apply a higher beta of 1 (vs. 0.7 previously) to discount hypothetical cashflows from as-yet-unlaunched new Pengerang phases, resulting in a higher Ke of 10.4% (vs. 7.5% previously). We have used a higher beta to value the future Pengerang growth to reflect higher EPCC execution risks. Potential re-rating catalysts include new customers at the Pengerang terminal area. Downside risks include the potential for further downward drift in utilisation at PITSB and Langsat terminals, and the snowballing of cost overruns and project delays at its EPCC and fabrication businesses.

### Financial Summary

	Jun-20A	Jun-21A	Jun-22F	Jun-23F	Jun-24F
Revenue (RMm)	2,303	1,610	2,096	2,191	2,217
Operating EBITDA (RMm)	650.5	530.7	553.1	607.6	621.2
Net Profit (RMm)	534.0	543.1	516.4	558.3	572.2
Core EPS (RM)	0.090	0.090	0.088	0.095	0.098
Core EPS Growth	3.80%	(0.03%)	(2.27%)	8.45%	2.58%
FD Core P/E (x)	25.35	25.36	25.95	23.93	23.33
DPS (RM)	0.031	0.031	0.037	0.040	0.041
Dividend Yield	1.36%	1.36%	1.61%	1.74%	1.78%
EV/EBITDA (x)	19.01	22.52	22.74	21.92	22.39
P/FCFE (x)	22.79	NA	8.90	61.97	57.92
Net Gearing	16.1%	9.5%	25.0%	41.4%	51.9%
P/BV (x)	3.11	2.52	2.37	2.23	2.10
ROE	12.8%	11.0%	9.4%	9.6%	9.3%
% Change In Core EPS Estimates			(4.1%)	(10.6%)	(12.4%)
CGS-CIMB/Consensus EPS (x)			0.93	0.88	0.87

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

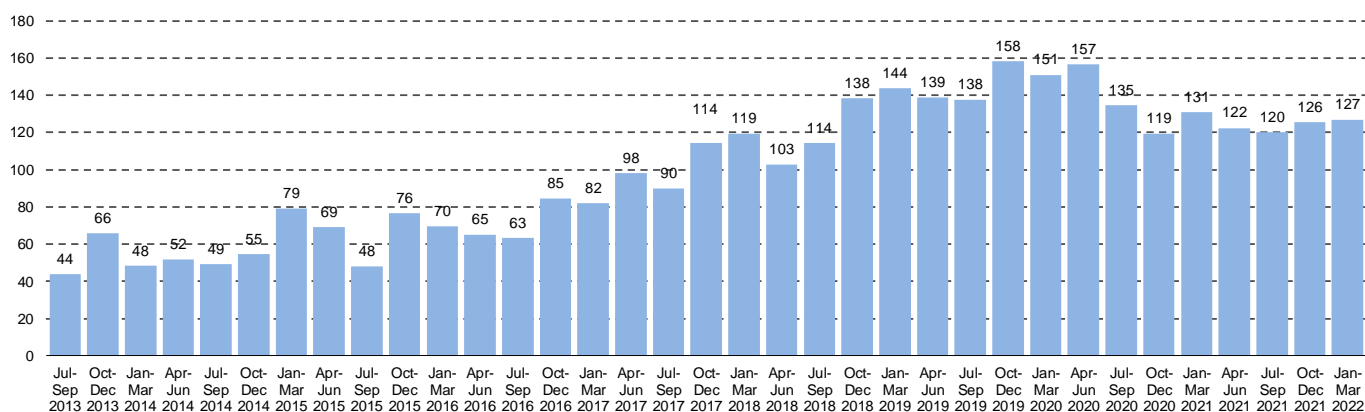
## Results comparison table ▶

**Figure 1: Results comparison**

FYE Jun (RM m)	3QFY22	3QFY21	yoy %	2QFY22	qoq %	3QFY22	3QFY21	yoy %	Prev.	
			chg		chg	Cum	Cum	chg	FY22F	Comments
Revenue	593.4	405.2	46.5	544.5	9.0	1,643.4	1,087.8	51.1	2,035.1	3QFY22 rev rose yoy due to the increase in business activities,
Operating costs	(466.7)	(273.7)	70.5	(421.6)	10.7	(1,267.3)	(693.2)	82.8	(1,441.5)	higher oil prices, and commissioning of the BP Singapore
EBITDA	126.7	131.5	(3.6)	122.9	3.1	376.1	394.6	(4.7)	593.7	terminal in Feb-Mar 2021.
EBITDA margin (%)	21.4	32.4		22.6		22.9	36.3		29.2	3QFY22 EBITDA fell yoy due to project cost escalation due to
Depn & amort.	(57.7)	(61.8)	(6.6)	(54.4)	6.1	(172.1)	(160.7)	7.1	(406.9)	higher raw material and logistics costs, and project delays
EBIT	69.0	69.6	(1.0)	68.5	0.7	204.0	233.9	(12.8)	186.8	which negatively impacted margins.
Interest expense	(6.9)	(3.0)	129.9	(6.8)	2.0	(20.8)	(23.5)	(11.4)	(20.3)	
Interest & invt inc	27.2	18.7	45.6	12.2	123.5	45.6	50.5	(9.7)	29.7	
Associates' contrib	55.2	62.7	(12.0)	68.4	(19.4)	197.0	166.6	18.3	279.1	3QFY22 associate profits down 12% yoy and 19% qoq, likely due
Exceptionals	1.2	0.1	nm	(2.8)	nm	1.9	12.2	(84.0)	-	to reduced utilisation of the independent terminals from
<b>Pretax profit</b>	<b>145.6</b>	<b>148.1</b>	<b>(1.7)</b>	<b>139.5</b>	<b>4.4</b>	<b>427.7</b>	<b>439.6</b>	<b>(2.7)</b>	<b>475.3</b>	high-80s percent to mid-80s.
Tax	(10.5)	(15.8)	(34.0)	(11.3)	(7.7)	(33.5)	(37.0)	(9.6)	(60.1)	
Tax rate (%)	7.2	10.7		8.1		7.8	8.4		12.6	
Minority interests	(2.1)	3.9	nm	(0.3)	nm	(4.5)	2.0	nm	(10.0)	
<b>Net profit</b>	<b>133.1</b>	<b>136.2</b>	<b>(2.3)</b>	<b>127.9</b>	<b>4.1</b>	<b>389.8</b>	<b>404.6</b>	<b>(3.7)</b>	<b>405.3</b>	
<b>Core net profit</b>	<b>126.7</b>	<b>130.9</b>	<b>(3.2)</b>	<b>125.5</b>	<b>0.9</b>	<b>372.3</b>	<b>384.7</b>	<b>(3.2)</b>	<b>517.1</b>	3QFY22 core net profit was 3.2% lower yoy, due to lower EBIT on
EPS (sen)	2.4	2.4	(2.3)	2.3	4.1	6.9	7.2	(3.7)	7.2	EPCC cost escalation and lower associate profits, which more
Core EPS (sen)	2.2	2.3	(3.2)	2.2	0.9	6.6	6.8	(3.3)	9.2	than offset higher oil prices.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 2: Dialog's quarterly core net profit/(loss) (RM m)**



SOURCE: CGS-CIMB RESEARCH, COMPANY

**Figure 3: Earnings revision**

RM m	2021A			2022F			2023F			2024F		
		Old	New	chg	Old	New	chg	Old	New	chg		
Revenue	1,610	2,035	2,096	3%	2,031	2,191	8%	2,048	2,217	8%		
EBITDA	531	594	553	-7%	684	608	-11%	716	621	-13%		
Reported PBT	595	610	572	-6%	712	618	-13%	746	633	-15%		
Core pretax profit	556	585	550	-6%	687	596	-13%	720	611	-15%		
Reported net profit	543	540	516	-4%	624	558	-11%	652	572	-12%		
Reported EPS	0.10	0.10	0.09	-4%	0.11	0.10	-11%	0.12	0.10	-12%		
Core net profit	507	517	496	-4%	602	538	-11%	630	551	-12%		
Core EPS	0.09	0.09	0.09	-4%	0.11	0.10	-11%	0.11	0.10	-12%		

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

## Sequential quarterly table ►

**Figure 4: Results comparison**

FYE Jun (RM m)	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
Revenue	505.4	539.9	331.7	350.9	405.2	522.1	505.5	544.5	593.4
Operating costs	(359.8)	(346.8)	(217.4)	(202.1)	(273.7)	(386.0)	(378.9)	(421.6)	(466.7)
EBITDA	145.7	193.2	114.2	148.9	131.5	136.2	126.5	122.9	126.7
EBITDA margin (%)	28.8	35.8	34.4	42.4	32.4	26.1	25.0	22.6	21.4
Depn & amort.	(40.5)	(66.4)	(48.9)	(50.0)	(61.8)	(66.0)	(60.0)	(54.4)	(57.7)
EBIT	105.2	126.8	65.3	98.9	69.6	70.2	66.6	68.5	69.0
Interest expense	(20.7)	(14.3)	(11.9)	(8.6)	(3.0)	(2.9)	(7.2)	(6.8)	(6.9)
Interest & invt inc	18.7	22.6	16.3	15.6	18.7	16.2	6.3	12.2	27.2
Associates' contrib	72.9	54.1	75.8	28.0	62.7	60.9	73.4	68.4	55.2
Exceptionals	0.1	-	12.0	0.0	0.1	10.9	3.6	(2.8)	1.2
<b>Pretax profit</b>	<b>176.2</b>	<b>189.2</b>	<b>157.6</b>	<b>133.9</b>	<b>148.1</b>	<b>155.4</b>	<b>142.7</b>	<b>139.5</b>	<b>145.6</b>
Tax	(24.9)	(21.6)	(9.5)	(11.7)	(15.8)	(15.0)	(11.7)	(11.3)	(10.5)
Tax rate (%)	14.1	11.4	6.0	8.7	10.7	9.6	8.2	8.1	7.2
Minority interests	(0.2)	(10.9)	(1.5)	(0.4)	3.9	(1.9)	(2.2)	(0.3)	(2.1)
<b>Net profit</b>	<b>151.0</b>	<b>156.7</b>	<b>146.6</b>	<b>121.8</b>	<b>136.2</b>	<b>138.5</b>	<b>128.8</b>	<b>127.9</b>	<b>133.1</b>
<b>Core net profit</b>	<b>150.9</b>	<b>156.7</b>	<b>134.6</b>	<b>119.2</b>	<b>130.9</b>	<b>122.4</b>	<b>120.1</b>	<b>125.5</b>	<b>126.7</b>
EPS (sen)	2.7	2.8	2.6	2.2	2.4	2.5	2.3	2.3	2.4
Core EPS (sen)	2.7	2.8	2.4	2.1	2.3	2.2	2.1	2.2	2.2
<b>Breakdown of exceptionals</b>	<b>0.1</b>	<b>-</b>	<b>12.0</b>	<b>0.0</b>	<b>0.1</b>	<b>10.9</b>	<b>3.6</b>	<b>(2.8)</b>	<b>1.2</b>
- Foreign exchange gain/(loss)	(0.0)	-	-	-	-	-	-	-	-
- Gain/(loss) on disposal of PPE	0.1	-	12.0	0.0	0.1	5.0	0.0	(2.8)	1.2
- Gain/(loss) on disposal of subsidiary	-	-	-	-	-	-	3.6	-	-
- Gain/(loss) on forward exchange contract	-	-	-	-	-	-	-	-	-
- Impairment losses	-	-	-	-	-	-	-	-	-
- Others	-	-	-	-	-	6.0	-	-	-

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

### Abbreviations in this report

**EPCC:** Engineering, procurement, construction and commissioning services provided by Dialog, mainly for the building of Dialog's own tank terminal business, but also for external parties.

**Mbpd:** Million barrels per day (of oil production).

## SOP valuation tables ►

Figure 5: SOP valuation of Dialog Group Berhad (RM m) - end-CY22F

	Cash flow forecast period		Valuation of 100% equity stake RM m	Dialog's equity stake %	Attributable to Dialog RM m	Per share value RM/share	Valuation method
	From	To					
<b>Tank Terminals (RM m)</b>			<b>18,302.5</b>		<b>6,015.9</b>	<b>1.07</b>	
A - Kertih Terminals	FY00	FY60F	965.6		289.7	0.05	
B - Langsat Terminals (B1 + B2)	FY10	FY67F	794.5		794.5	0.14	
C - Pengerang Terminals (C1 + C2)	FY14	FY76F	16,542.4		4,931.7	0.87	
<b>A Kertih Terminals - Until end of 60-year land lease</b>	<b>FY00</b>	<b>FY60F</b>	<b>965.6</b>		<b>289.7</b>	<b>0.05</b>	
Kertih Terminals Sdn Bhd (30% JV) - until FY30F	FY00	FY30F	523.4	30%	157.0	0.03	DCF to equity
Kertih Terminals Sdn Bhd (30% JV) - FY31F-FY40F	FY31F	FY40F	271.7	30%	81.5	0.01	DCF to equity
Kertih Terminals Sdn Bhd (30% JV) - FY41F-FY60F	FY41F	FY60F	170.5	30%	51.1	0.01	DCF to equity
<b>B1 Langsat Terminals - Until end of current 30-year land lease</b>	<b>FY10</b>	<b>FY37F</b>	<b>535.1</b>		<b>535.1</b>	<b>0.09</b>	
Langsat Terminal (One) Sdn Bhd (100% sub)	FY10	FY37F	347.8	100%	347.8	0.06	DCF to equity
Langsat Terminal (Two) Sdn Bhd (100% sub)	FY12	FY37F	115.8	100%	115.8	0.02	DCF to equity
Langsat Terminal (Three) Sdn Bhd (100% sub)	FY18F	FY48F	71.4	100%	71.4	0.01	DCF to equity
<b>B2 Langsat Terminals - Assuming 30-year extension of land lease</b>	<b>FY37F</b>	<b>FY67F</b>	<b>259.4</b>		<b>259.4</b>	<b>0.05</b>	
Langsat Terminal (One) Sdn Bhd (100% sub)	FY37F	FY67F	129.8	100%	129.8	0.02	DCF to equity
Langsat Terminal (Two) Sdn Bhd (100% sub)	FY37F	FY67F	48.8	100%	48.8	0.01	DCF to equity
Langsat Terminal (Three) Sdn Bhd (100% sub)	FY48F	FY78F	80.8	100%	80.8	0.01	DCF to equity
<b>C1 Pengerang Terminals - Until end of current 65-year land lease</b>	<b>FY14</b>	<b>FY76F</b>	<b>16,373.5</b>		<b>4,762.9</b>	<b>0.84</b>	
SPV1 - Pengerang Independent Terminals S/B (46% JV)	FY14	FY76F	3,188.0	46%	1,466.5	0.26	DCF to equity
SPV2 - Pengerang Terminals (Two) S/B (25% JV)	FY19F	FY76F	7,881.6	25%	1,970.4	0.35	DCF to equity
SPV3 - Pengerang LNG (Two) S/B (25% assoc)	FY18F	FY76F	5,304.0	25%	1,326.0	0.24	DCF to equity
<b>C2 Pengerang Expansion - BP Singapore terminal</b>			<b>168.9</b>		<b>168.9</b>	<b>0.03</b>	
SPV5 - Pengerang Terminals (Five) S/B, (100% sub)	FY22F	FY76F	168.9	100%	168.9	0.03	DCF to equity
<b>Upstream and Downstream (RM m)</b>			<b>3,000.0</b>	<b>100%</b>	<b>3,000.0</b>	<b>0.53</b>	15x P/E on sustainable earnings of RM200m p.a.
<i>Note: Including Dialog Resources S/B (100% sub, 20% interest in PSC), Dialog Bayan Petroleum S/B (100% sub, with interest in OSC), EPCC, Specialist Products &amp; Services, Plant Maintenance &amp; Catalyst Handling Services, Fabrication, and Overseas businesses under Dialog Systems (Asia) Pte Ltd.</i>							
Add: Advances from Dialog Group Bhd to JVs and associates at end-CY22F (RM m)					0.0	0.00	
Add: Other net assets at end-CY22F (RM m)					2,765.6	0.49	
Add: Dialog Group Bhd's consolidated cash balance at end-CY22F (RM m)					2,713.0	0.48	
Less: Dialog Group Bhd's consolidated debt balance at end-CY22F (RM m)					-4,606.0	-0.82	
<b>Total SOP valuation of Dialog Group Berhad (RM m) - end-CY22F</b>					<b>13,039.4</b>	<b>2.31</b>	
<b>Pengerang Long-Term Expansion</b>	<b>FY26F</b>	<b>FY76F</b>	<b>4,361.1</b>		<b>2,616.7</b>	<b>0.46</b>	
SPV6 - Similar to SPV2, FY26F onwards (assume 60% sub)	FY26F	FY76F	1,202.3	60%	721.4	0.13	DCF to equity
SPV7 - Similar to SPV2, FY31F onwards (assume 60% sub)	FY31F	FY76F	1,357.7	60%	814.6	0.14	DCF to equity
SPV8 - Similar to SPV2, FY36F onwards (assume 60% sub)	FY36F	FY76F	1,316.5	60%	789.9	0.14	DCF to equity
SPV9 - Similar to SPV2, FY41F onwards (assume 60% sub)	FY41F	FY76F	484.6	60%	290.8	0.05	DCF to equity
<b>Total SOP valuation, including long-term Pengerang expansion (RM m) - end-CY22F</b>					<b>15,656.1</b>	<b>2.77</b>	
Number of ordinary shares (m)					5,642.3		

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 6: Cost of equity calculation

	Existing assets	New developments
Risk-free rate	4.4%	4.4%
Equity risk premium	6.0%	6.0%
Beta	0.70	1.00
<b>Cost of equity (nominal)</b>	<b>8.6%</b>	<b>10.4%</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Potential re-rating catalysts include new customers at Dialog's Phase 3 of the Pengerang Deepwater Terminal (PP3), and the launch of new development phases at PP3 and Langsat 3, once global Covid-19-related lockdowns and travel restrictions ease.

Downside risks include the potential for Dialog's PITSB and Langsat tank terminals to experience reduced utilisation, due to the ongoing global oil destocking. Another downside risk is if Covid-19-related SOPs and logistical challenges continue to cause cost inflation that negatively impacts the economics of Dialog's downstream projects, such as for EPCC, fabrication and plant maintenance work.

## Dialog's tank terminal projects ►

Figure 7: Dialog's tank terminals in Malaysia

Name of tank terminal	Location	Capacity (cbm) as at	Types of storage tanks	Owners	Shareholders	Notes
<b>31-Mar-22</b>						
<b>Non-industrial tank terminals</b>						
Langsat Terminal One	Southeast coast of Johor	476,000	32 tanks for petroleum products	Dialog Terminals Langsat (1) Sdn Bhd	Dialog: 100%	Phase 1 commissioned Sep 2009 Phase 2 commissioned Apr 2010 Phase 3 commissioned Aug 2011 7 liquid berths with draft of 13-15m. Langsat Port failed to dredge to 16.5m, as agreed with the tank terminal owners
Langsat Terminal Two		171,000	10 tanks for petroleum products	Dialog Terminals Langsat (2) Sdn Bhd	Dialog: 100%	Commissioned Dec 2011
Langsat Terminal Three		120,000	Petroleum products	Dialog Terminals Langsat (3) Sdn Bhd	Dialog: 100%	Commissioned Jan 2020
Future Langsat terminals		To be built	Petroleum products	To be determined	Dialog: 100%	Another 200,000 cbm of tanks can be built on 17 acres of land available
Pengerang Independent Terminals Sdn Bhd (PITSB, or 'SPV1')	Southeast coast of Johor	1,350,000	57 tanks for crude oil and petroleum products	Pengerang Independent Terminals Sdn Bhd	Dialog: 46% Vopak: 44% Johor State: 10%	Commissioned from Apr 2014 to Mar 2015 One jetty with 5 berths of 24m draft
PITSB - Phase 1E	Southeast coast of Johor	430,000	24 tanks for clean petroleum products			Commissioned early-2020
PITSB - Phase 1D		To be built	Crude oil and petroleum products			570,000 cbm to be commissioned in the future, once the RAPID refinery is up and running
Pengerang Phase 3 ('PP3') - Jetty and Common Facilities	Southeast coast of Johor	N.A.	Various	Dialog Terminals Pengerang CTF Sdn Bhd	Dialog: 100%	300 acres for development, including the BP Singapore terminal in Phase 3A below This legal entity houses the common facilities for the whole PP3 development, including one jetty of 24m draft
Pengerang Phase 3A ('SPV5')		430,000	Petroleum products	Dialog Terminals Pengerang (5) Sdn Bhd	Dialog: 100%	Commissioned Mar 2021 10 years lease to BP Singapore, take-or-pay
<b>Subtotal – non-industrial tank terminals</b>		<b>3,062,000</b>				
<b>Industrial tank terminals</b>						
Kertih	Terengganu	400,000	41 tanks for the storage of petrochemical products	Kertih Terminals Sdn Bhd	Petronas Chemicals 40% Dialog 30% Vopak 30%	Leased to six companies linked to Petronas Chemicals Commissioned from 2000, contracted for 20 years take-or-pay to 2020, then extended 10 years to 2030
Pengerang Deepwater Terminal – Phase 2 (PT2SB, or 'SPV2')	Southeast coast of Johor	1,300,000	Crude oil, petroleum products, and petrochemicals	Pengerang Terminals (Two) Sdn Bhd	Petronas 40% Dialog 25% Vopak 25% Johor State 10%	Commissioned late-2018, 25 years lease to Petronas and Petronas Chemicals, take-or-pay One jetty with 12 berths of 24m draft Dedicated for the use of Petronas' RAPID refinery and Petronas Chemicals' petrochemical plants
Pengerang Deepwater Terminal – Phase 2; Pengerang LNG (PLNG2, or 'SPV3')	Southeast coast of Johor	400,000	2 tanks for the storage of LNG, 200,000 cbm each	Pengerang LNG (Two) Sdn Bhd	Petronas Gas 65% Dialog 25% Johor State 10%	Commissioned end-2017, 25 years lease to Petronas Gas, take-or-pay SPV3 hosts an LNG regasification plant with an initial send-out capacity of 3.5m mtpa, as well as two LNG storage tanks totalling 400,000 cbm
Pengerang Deepwater Terminal – Phase 2 (PLNG2 Phase 2, or 'SPV4')	Southeast coast of Johor	To be built	In the future, 2 additional tanks for the storage of LNG, 200,000 cbm each			Another 400,000 cbm of LNG storage tanks to be built in the future
<b>Subtotal – industrial tank terminals</b>		<b>2,100,000</b>				
<b>Future developments</b>						
Pengerang Deepwater Terminal (PDT)	Southeast coast of Johor	To be confirmed	Crude oil and petroleum products	Exact ownership structure is dependent on the anchor tenants, but Dialog is expected to have a majority stakes		500 acres left for development The entire PDT development is able to accommodate a total of five jetties; three constructed so far at PITSB, PT2SB, and PP3
<b>Subtotal – future developments</b>		<b>To be confirmed</b>				
<b>Grand Total</b>		<b>5,162,000</b>				

SOURCE: CIMB RESEARCH, COMPANY REPORTS, PLATTS

**PITSB:** Pengerang Independent Terminals Sdn Bhd (46% owned by Dialog), also known as 'SPV1'; first commissioned in CY14 with 1.35m cubic metres (cbm) of tank storage capacity, subsequently expanded to 1.78m cbm.

**SPV1E:** Phase 1E expansion of the PITSB (SPV1) terminal; 430,000 cbm of clean product tank storage capacity (part of PITSB's 1.78m cbm), fully commissioned in early-CY20.



**SPV1D:** Planned future Phase 1D expansion of the PITSB (SPV1) terminal, with potential of 570,000 cbm of crude tank storage capacity.

**PT2SB:** Pengerang Terminals (Two) Sdn Bhd (25% owned by Dialog), also known as 'SPV2'; 1.3m cbm, leased for 25 years (effective late-CY18) to Petronas' (unlisted) refinery and Petronas Chemicals' petrochemical plants in the Refinery and Petrochemical Integrated Development (RAPID) development in Pengerang, Johor.

**PLNG2:** Pengerang LNG (Two) Sdn Bhd (25% owned by Dialog), also known as 'SPV3', comprising an LNG regasification plant, 400,000 cbm of LNG storage capacity, leased to Petronas Gas for 25 years (effective from CY17).

**SPV4:** Planned future expansion of PLNG2 (SPV3), with the addition of 400,000 cbm of LNG storage capacity.

**PP3:** Pengerang Phase 3, with 300 acres currently under development at an initial cost of RM2.5bn (including RM1.6bn for SPV5). Legal entity: Dialog Terminals Pengerang CTF Sdn Bhd (100% owned by Dialog currently). [Note that there is a further 500 acres at the Pengerang terminals area that is available for development.]

**PP3A:** Pengerang Phase 3A, also known as 'SPV5', with 430,000 cbm of clean product tank storage capacity for BP Singapore; commissioned on 19 March 2021 at a cost of RM1.6bn. Legal entity: Dialog Terminals Pengerang (5) Sdn Bhd (100% owned by Dialog currently).

**Kertih:** 400,000 cbm of petrochemical tank storage capacity, commissioned in 2020, leased to various entities of the Petronas Chemicals group for 20 years from September 2000 to September 2020, with the lease extended by a further 10 years to September 2030. Legal entity: Kertih Terminals Sdn Bhd (30% owned by Dialog).

**Langsat 1:** 476,000 cbm of clean product tank storage capacity, commissioned in 2009. Legal entity: Dialog Terminals Langsat (1) Sdn Bhd (100% owned by Dialog).



**Langsat 2:** 171,000 cbm of clean product tank storage capacity, commissioned in 2011. Legal entity: Dialog Terminals Langsat (2) Sdn Bhd (100% owned by Dialog).

**Langsat 3:** 120,000 cbm of clean product tank storage capacity, fully commissioned in January 2020. A further 85,000 cbm was constructed at a cost of RM100m and was ready for operations at end-CY21. Another 17 acres of land is available for development which can accommodate another 200,000 cbm of additional tank capacity; this may be constructed in the future, raising Langsat 3's capacity to a grand total of 405,000 cbm. Legal entity: Dialog Terminals Langsat (3) Sdn Bhd (100% owned by Dialog).

### Dialog's oil fields ►

**DBP:** Dialog Bayan Petroleum Sdn Bhd (100% owned by Dialog), holder of the oil service contract (OSC) for the Bayan field, offshore Sarawak, which is effective until CY36. This company was originally named Halliburton Bayan Petroleum Sdn Bhd (HBP); Dialog raised its stake in HBP from 50% to 75% on 27 August 2019, to 95% on 13 December 2019, and finally to 100% on 29 June 2021. It was subsequently renamed as Dialog Bayan Petroleum Sdn Bhd.

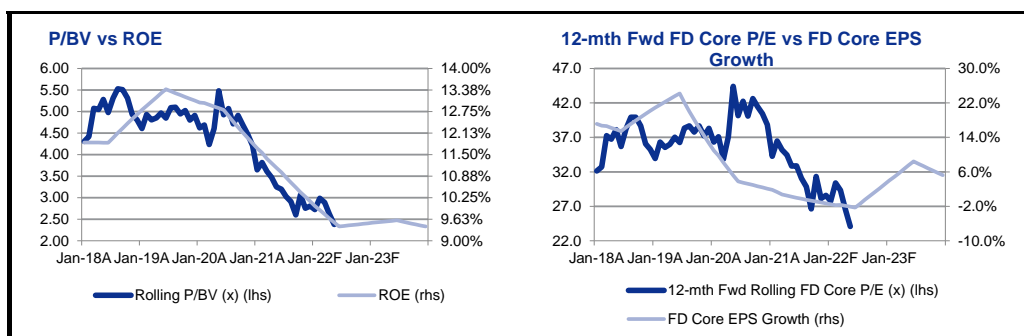
**DRSB:** Dialog Resources Sdn Bhd (100% owned by Dialog), has a 20% interest in the production sharing contract (PSC) for the D35, D21, and J4 marginal fields, offshore Sarawak.

Refinitiv ESG Scores	
	
<b>ESG in a nutshell</b>	
<p>Dialog is perceived by investors as a well-managed, conservatively-run company that has shareholders' best interests at heart. Still, as an oil and gas services company, Dialog needs to strategise how to navigate the energy transition so as to remain relevant in a future world that may rely less heavily on fossil fuels. Dialog is currently involved in the upstream oilfield business, the midstream tank terminal storage business, and varied downstream businesses that include the fabrication of oil and gas structures and equipment, engineering and construction of oil and gas plants and structures, plant maintenance and catalyst handling, and the sale of specialist products and services to the oil and gas industry.</p>	
<p><b>Keep your eye on</b></p> <p>We believe that Dialog is actively engaged in evaluating various opportunities in the renewable energy (RE) space, including potentially solar or wind farm investments, in order to diversify its exposure away from the oil and gas industry. However, it has not yet found RE investments that meet its required IRR thresholds.</p> <p>According to the International Energy Agency (IEA), oil demand in OECD nations will stagnate by 2023F and begin a slow decline, but non-OECD oil demand (particularly in the Asia-Pacific) will continue to increase in a robust manner up to the end of the IEA's 2026F forecast period.</p>	<p><b>Implications</b></p> <p>The explosion of interest in RE investments among oil majors, national oil companies and other companies have caused electricity tariffs to decline, while RE project IRRs have dropped to mid-single-digit percentages in Europe. Other regions are also seeing IRR compression. We are unsure if Dialog will be able to find suitable RE investments in this environment.</p> <p>We do not expect Dialog's upstream, midstream and downstream oil and gas businesses to be negatively affected by the energy transition in the 2030s and the 2040s, especially since Dialog's businesses are concentrated in the fast-growing Asia-Pacific region.</p>
<p><b>ESG highlights</b></p> <p>Dialog's environmental ('E') disclosures are minimal and inadequate, in our view. For the first time in FY20, Dialog disclosed that its CO2 emissions in that financial year totalled 18,571 tonnes (Scope 1: 6,120 tonnes; Scope 2: 12,451 tonnes), its energy consumption in Malaysia was 43.3m kWh, and that its Malaysian operations consumed 84,795 cbm of water. There were no disclosures of comparative performances for previous financial years. The FY20 disclosures were not audited by third-party assurance providers.</p> <p>Dialog recently disclosed that it has established a Net Zero 2050 target. It is still working to set up short-, medium- and long-term GHG emissions abatement measures, and hopes to release these plans in 2022F.</p>	<p><b>Implications</b></p> <p>The 'E' disclosures do not cover some of Dialog's major tank terminal assets that are at the associate/JV level, including its 30%-owned Kertih terminal, 46%-owned PITSB, and 25%-owned PT2SB and PLNG2.</p> <p>In Kertih's case, no single shareholder owns the majority stake, with Petronas Chemicals holding 40% and Vopak holding 30%. In PITSB's case, Dialog is in fact the single largest shareholder, with Vopak holding an effective 44% stake, and with the Johor State holding 10%. In PT2SB's case, no single shareholder owns the majority stake, with Petronas holding 40%, Vopak holding 25%, and the Johor State holding 10%. However, for PLNG2, Petronas Gas holds the majority stake at 65%, and the Johor State at 10%. We think that Dialog should at least include its proportional share of CO2 emissions data from Kertih, PITSB and PT2SB.</p>
<p><b>Trends</b></p> <p>Dialog has a strong and well-known corporate social responsibility programme via the MyKasih Foundation that supports marginalised communities and schools. In FY20, Dialog contributed a total of RM8.2m towards its CSR activities, including RM3.3m towards Covid-19 community support initiatives; this is much higher than FY19's RM2.9m contribution.</p>	<p><b>Implications</b></p> <p>Since MyKasih Foundation's inception in 2009, Dialog has channelled RM280m of aid to more than 300,000 financially-challenged families and students nationwide. Part of the aid monies were donated by Dialog itself, but part of the monies were donated by third-party organisations and individuals through MyKasih's cashless payment system that ensures the funds are in the hands of the intended recipients and that donors know how their donations have been utilised.</p>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, REFINITIV



## BY THE NUMBERS



### Profit & Loss

(RMm)	Jun-20A	Jun-21A	Jun-22F	Jun-23F	Jun-24F
<b>Total Net Revenues</b>	<b>2,303</b>	<b>1,610</b>	<b>2,096</b>	<b>2,191</b>	<b>2,217</b>
<b>Gross Profit</b>	<b>650</b>	<b>531</b>	<b>553</b>	<b>608</b>	<b>621</b>
<b>Operating EBITDA</b>	<b>650</b>	<b>531</b>	<b>553</b>	<b>608</b>	<b>621</b>
Depreciation And Amortisation	-289	-227	-273	-289	-304
<b>Operating EBIT</b>	<b>361</b>	<b>304</b>	<b>280</b>	<b>319</b>	<b>317</b>
Financial Income/(Expense)	21	40	25	11	19
Pretax Income/(Loss) from Assoc.	242	227	266	289	298
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>624</b>	<b>572</b>	<b>572</b>	<b>618</b>	<b>633</b>
Exceptional Items	27	23	0	0	0
<b>Pre-tax Profit</b>	<b>651</b>	<b>595</b>	<b>572</b>	<b>618</b>	<b>633</b>
Taxation	-99	-52	-49	-54	-55
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>552</b>	<b>543</b>	<b>523</b>	<b>565</b>	<b>579</b>
Minority Interests	-18	0	-7	-7	-7
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>534</b>	<b>543</b>	<b>516</b>	<b>558</b>	<b>572</b>
Recurring Net Profit	507	507	496	538	551
<b>Fully Diluted Recurring Net Profit</b>	<b>507</b>	<b>507</b>	<b>496</b>	<b>538</b>	<b>551</b>

### Cash Flow

(RMm)	Jun-20A	Jun-21A	Jun-22F	Jun-23F	Jun-24F
<b>EBITDA</b>	<b>650.5</b>	<b>530.7</b>	<b>553.1</b>	<b>607.6</b>	<b>621.2</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	160.9	(94.5)	146.9	4.6	10.7
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	21.1	41.0	15.9	24.1	22.8
Other Operating Cashflow	69.3	85.1	54.7	47.0	54.7
Net Interest (Paid)/Received	(1.5)	2.7	(9.6)	(24.3)	(16.3)
Tax Paid	(107.6)	(60.0)	(49.2)	(53.7)	(54.8)
<b>Cashflow From Operations</b>	<b>792.7</b>	<b>505.0</b>	<b>711.6</b>	<b>605.3</b>	<b>638.2</b>
Capex	(859.4)	(1,059.6)	(245.0)	(245.0)	(135.0)
Disposals Of FAs/subsidiaries	453.7	10.1	0.0	0.0	46.0
Acq. Of Subsidiaries/investments	(29.4)	(30.8)	(46.0)	(69.0)	0.0
Other Investing Cashflow	(6.9)	475.6	(1,125.0)	(1,125.0)	(1,125.0)
<b>Cash Flow From Investing</b>	<b>(442.0)</b>	<b>(604.7)</b>	<b>(1,416.0)</b>	<b>(1,439.0)</b>	<b>(1,214.0)</b>
Debt Raised/(repaid)	213.4	28.7	2,149.7	1,041.3	797.9
Proceeds From Issue Of Shares	0.0	510.4	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	(216.8)	(190.6)	(180.6)	(217.9)	(223.3)
Preferred Dividends					
Other Financing Cashflow			(32.1)	(43.4)	(43.4)
<b>Cash Flow From Financing</b>	<b>(3.4)</b>	<b>348.4</b>	<b>1,937.1</b>	<b>780.0</b>	<b>531.1</b>
Total Cash Generated	347.3	248.7	1,232.7	(53.7)	(44.6)
<b>Free Cashflow To Equity</b>	<b>564.2</b>	<b>(71.1)</b>	<b>1,445.3</b>	<b>207.6</b>	<b>222.1</b>
<b>Free Cashflow To Firm</b>	<b>404.6</b>	<b>(73.9)</b>	<b>(672.8)</b>	<b>(780.8)</b>	<b>(531.0)</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(RMm)	Jun-20A	Jun-21A	Jun-22F	Jun-23F	Jun-24F
Total Cash And Equivalents	1,240	1,462	2,718	2,708	2,707
Total Debtors	1,164	653	808	829	826
Inventories	85	44	95	97	98
Total Other Current Assets	0	0	0	0	0
<b>Total Current Assets</b>	<b>2,489</b>	<b>2,159</b>	<b>3,621</b>	<b>3,634</b>	<b>3,630</b>
Fixed Assets	2,563	3,372	4,481	5,607	6,617
Total Investments	1,290	1,562	1,839	2,161	2,370
Intangible Assets	777	835	801	757	702
Total Other Non-Current Assets	67	50	50	50	50
<b>Total Non-current Assets</b>	<b>4,697</b>	<b>5,819</b>	<b>7,170</b>	<b>8,573</b>	<b>9,738</b>
Short-term Debt	458	298	304	326	224
Current Portion of Long-Term Debt					
Total Creditors	936	754	1,075	1,103	1,112
Other Current Liabilities	80	64	64	64	64
<b>Total Current Liabilities</b>	<b>1,474</b>	<b>1,115</b>	<b>1,443</b>	<b>1,493</b>	<b>1,399</b>
Total Long-term Debt	1,453	1,638	3,782	4,801	5,701
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	18	25	25	25	25
<b>Total Non-current Liabilities</b>	<b>1,472</b>	<b>1,663</b>	<b>3,807</b>	<b>4,826</b>	<b>5,726</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>2,946</b>	<b>2,778</b>	<b>5,250</b>	<b>6,319</b>	<b>7,125</b>
Shareholders' Equity	4,132	5,097	5,433	5,773	6,122
Minority Interests	112	102	109	115	122
<b>Total Equity</b>	<b>4,244</b>	<b>5,199</b>	<b>5,541</b>	<b>5,888</b>	<b>6,244</b>

### Key Ratios

	Jun-20A	Jun-21A	Jun-22F	Jun-23F	Jun-24F
Revenue Growth	(3.5%)	(30.1%)	30.2%	4.5%	1.2%
Operating EBITDA Growth	11.5%	(18.4%)	4.2%	9.9%	2.2%
Operating EBITDA Margin	28.2%	33.0%	26.4%	27.7%	28.0%
Net Cash Per Share (RM)	-0.12	-0.09	-0.25	-0.43	-0.57
BVPS (RM)	0.73	0.90	0.96	1.02	1.08
Gross Interest Cover	6.64	11.53	8.88	6.04	7.08
Effective Tax Rate	15.2%	8.7%	8.6%	8.7%	8.6%
Net Dividend Payout Ratio	34.5%	41.8%	40.0%	40.0%	40.0%
Accounts Receivables Days	187.8	200.4	106.9	102.8	103.4
Inventory Days	19.96	21.71	16.36	22.10	22.37
Accounts Payables Days	219.3	283.8	214.8	249.6	252.5
ROIC (%)	10.7%	6.4%	5.2%	4.8%	3.9%
ROCE (%)	7.04%	4.99%	3.60%	3.36%	2.97%
Return On Average Assets	7.33%	6.45%	5.37%	4.84%	4.41%

### Key Drivers

	Jun-20A	Jun-21A	Jun-22F	Jun-23F	Jun-24F
Kertih storage capacity (000 cbm)	400.0	400.0	400.0	400.0	400.0
Langsat storage capacity (000 cbm)	767.0	767.0	852.0	952.0	952.0
Pengerang Phase 1 storage capacity (000 cbm)	1,515.0	1,730.0	1,730.0	1,730.0	1,730.0
Pengerang Phase 2 storage capacity (000 cbm)	1,105.0	1,202.5	1,267.5	1,300.0	1,300.0
Pengerang Phase 3 storage capacity (000 cbm)	-	-	430.0	430.0	430.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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<b>Description:</b>	Excellent	Very Good	Good	N/A	N/A

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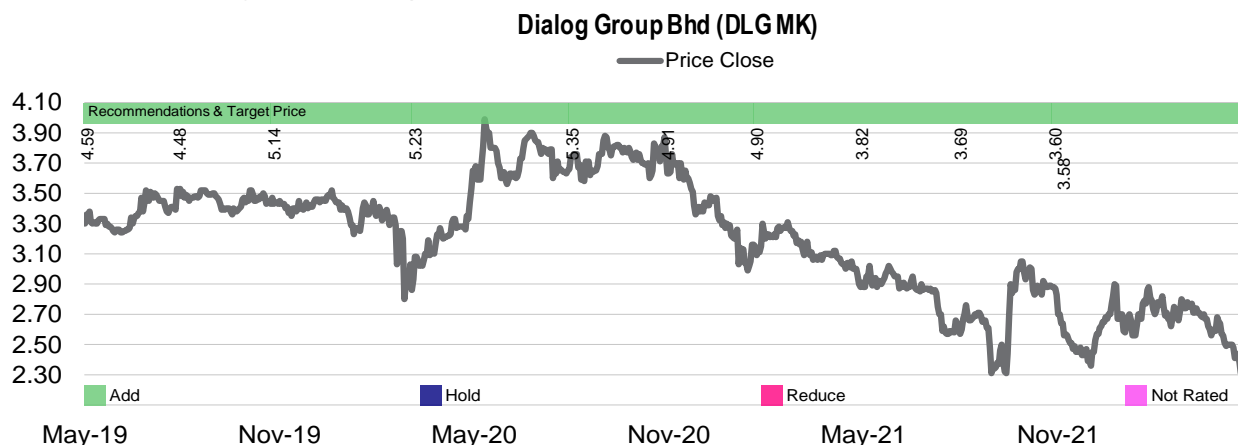
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632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

Spitzer Chart for stock being researched ( 2 year data )



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021**

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

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Definition:	
<b>Add</b>	The stock's total return is expected to exceed 10% over the next 12 months.
<b>Hold</b>	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
<b>Reduce</b>	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:	
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<b>Neutral</b>	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
<b>Underweight</b>	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:	
<b>Overweight</b>	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
<b>Neutral</b>	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
<b>Underweight</b>	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.