

**Malaysia**
**HOLD** (no change)

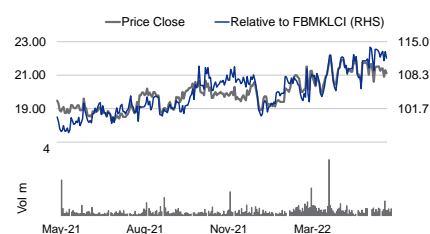
Consensus ratings\*: Buy 4 Hold 7 Sell 1

Current price:	RM21.12
Target price:	RM20.94
Previous target:	RM21.66
Up/downside:	-0.8%
CGS-CIMB / Consensus:	2.7%
Reuters:	PETR.KL
Bloomberg:	PETDMK
Market cap:	US\$4,772m
	RM20,982m
Average daily turnover:	US\$1.86m
	RM7.90m
Current shares o/s:	993.5m
Free float:	16.9%

\*Source: Bloomberg

**Key changes in this note**

- FY22F core EPS forecast lowered by 12% on the back of weaker assumptions for commercial profits.
- FY23-24F core EPS forecasts lowered by 2-4% on various housekeeping adjustments.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.4	4.5	12.2
Relative (%)	3.9	7.7	14.5

Major shareholders	% held
Petroleum Nasional Bhd	63.9
EPF	11.2
Permodalan Nasional Bhd	8.0

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# Petronas Dagangan Bhd

## Can future dividends sustain 130% payouts?

- 1Q22 core net profit was below expectations at 19%/16% of our/consensus full-year estimates due to commercial losses during the quarter.
- Reiterate Hold with a lower DDM-based TP of RM20.94 as we raise the cost of equity discount rate on the back of the higher Malaysian risk-free rate.
- Although PDB is a recovery play, valuations are not cheap relative to the likely DPS payments; PDB also surprisingly slashed its 1Q22 dividend.

### Commercial loss dragged down higher retail profits in 1Q22

1Q22 core net profit of RM119m was 19% lower qoq due to weaker commercial performance and sequentially higher depreciation expense, which more than offset stronger retail performance. Group EBITDA in 1Q22 rose 11% qoq but this masked two diverging elements: retail EBITDA rose 86% qoq on the back of lagged inventory gains due to the rise in oil prices while retail volumes probably declined qoq as PDB exited the seasonally-strong 4Q21. However, commercial EBITDA fell into a loss of RM35m in 1Q22 vs. a profit of RM62m in 4Q21 because PDB could not fully pass on the surge in Mean of Platts Straits (MOPS) costs of jet fuel and diesel during the quarter as commercial selling prices in any month tend to be pegged to costs prevailing in the previous month. The commercial arm suffered an EBITDA loss despite sales volumes likely rising qoq due to increased volumes of jet fuel sales as airlines gradually restore flying capacity. Separately, depreciation expense rose qoq in 1Q22 because the 4Q21 depreciation was atypically low due to certain non-recurring writebacks. On a yoy basis, the 1Q22 core net profit fell 37% on the commercial loss despite better retail profits.

### 1Q22 dividend payout disappointed at only 42%

PDB declared a DPS of 5 sen in 1Q22 (42% payout), lower than 1Q21's 14 sen (73% payout), 2Q21's 10 sen (121% payout), 3Q21's 20 sen (167% payout), and 4Q21's 26 sen (188% payout). We are unsure why PDB's dividend payout fell sharply in 1Q22 as no reason was disclosed. For FY21, PDB declared a total DPS of 70 sen or 131% payout. For the year before, i.e. FY20, PDB declared a total DPS of 38 sen or 137% payout. Based on the past two years' precedents, we modelled the FY22-24F dividend payout at 133-135%, resulting in DPS assumptions of 75 sen for FY22F, 110 sen for FY23F, and 115 sen for FY24F. If these assumptions are overly generous, there may be downside to our TP for PDB, which is based on the DDM method. PDB's dividend policy is for at least 50% payout; the floor is much below our current forecasts.

### Cut in DDM-based target price due to higher discount rate

Our DDM-based TP has been cut 3.3% from RM21.66 to RM20.94, principally because of an increase in our cost of equity discount rate from 7.3% to 7.85% on the back of an increase in the risk-free rate (as represented by the yields on 10-year Malaysian Government Securities) from 3.7% to 4.25%. Upside risk: stronger-than-expected demand recovery now that Malaysia's international borders have reopened.

**Financial Summary**

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (RMm)	18,711	22,544	31,714	34,730	36,371
Operating EBITDA (RMm)	549	829	932	1,171	1,212
Net Profit (RMm)	276.0	529.6	553.9	818.3	855.0
Core EPS (RM)	0.29	0.54	0.56	0.82	0.86
Core EPS Growth	(64.8%)	86.0%	3.1%	47.7%	4.5%
FD Core P/E (x)	72.67	39.06	37.88	25.64	24.54
DPS (RM)	0.38	0.70	0.75	1.10	1.15
Dividend Yield	1.80%	3.31%	3.55%	5.21%	5.45%
EV/EBITDA (x)	33.64	23.16	19.79	15.76	15.44
P/FCFE (x)	NA	NA	14.52	25.25	23.73
Net Gearing	(44.3%)	(32.0%)	(47.1%)	(47.2%)	(44.8%)
P/BV (x)	3.72	3.76	3.90	3.95	4.18
ROE	5.0%	9.6%	10.1%	15.3%	16.6%
% Change In Core EPS Estimates			(12.2%)	(2.1%)	(3.6%)
CGS-CIMB/Consensus EPS (x)			0.76	1.03	1.04

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

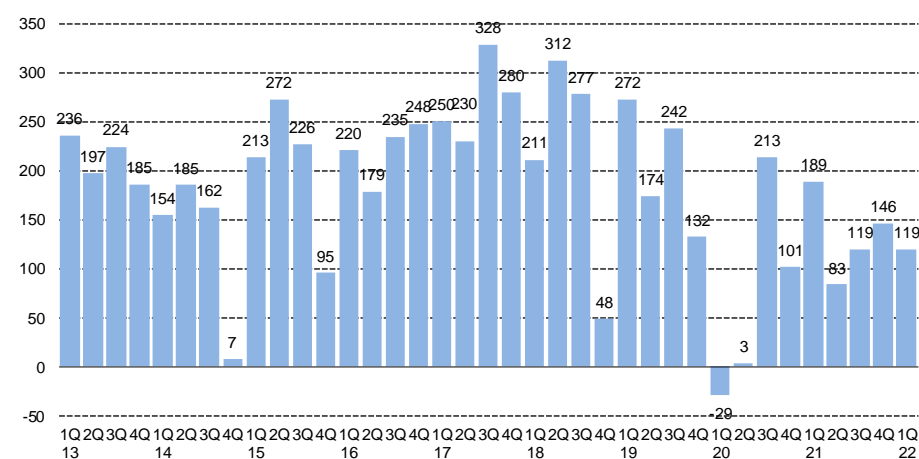
## Results comparison table ►

Figure 1: Results comparison

FYE Dec (RM m)	1QFY22	1QFY21	yoy %	4QFY21	qoq %	Prev.	
			chg		chg	FY22F	Comments
Revenue	7,618.3	5,142.4	48.1	7,057.4	7.9	28,444.8	1Q22 rev rose yoy and qoq due to higher sales volume
Operating costs	(7,411.7)	(4,802.1)	54.3	(6,870.4)	7.9	(27,454.5)	and higher average selling prices (ASP).
EBITDA	206.6	340.3	(39.3)	186.9	10.5	990.3	1Q22 EBITDA rose qoq due to higher retail profits from
EBITDA margin (%)	2.7	6.6		2.6		3.5	lagged inventory gains, but fell yoy due to EBITDA loss
Depn & amort.	(104.7)	(114.7)	(8.7)	(73.1)	43.2	(458.2)	at the commercial arm as a result of the surge in
Interest & invt inc	79.3	59.8	32.7	98.5	(19.4)	403.8	MOPS prices that could not be immediately recovered.
EBIT	181.2	285.4	(36.5)	212.2	(14.6)	935.9	1Q22 depreciation rose qoq because 4Q21 depreciation
Interest expense	(2.8)	(2.7)	4.7	(4.2)	(34.3)	(8.9)	was especially low due to the one-off reduction in value
Associates' contrib	0.8	0.3	159.8	0.6	29.7	5.0	of fixed assets acquired from an acquisition target that
Exceptionals	(0.5)	2.4	nm	(8.9)	nm	-	was adjusted into depreciation.
<b>Pretax profit</b>	<b>178.7</b>	<b>285.5</b>	<b>(37.4)</b>	<b>199.7</b>	<b>(10.5)</b>	<b>932.0</b>	
Tax	(58.4)	(94.3)	(38.1)	(61.7)	(5.4)	(299.1)	
Tax rate (%)	32.7	33.0		30.9		32.1	
Minority interests	(1.9)	(0.1)	nm	(0.9)	nm	(2.0)	
<b>Net profit</b>	<b>118.5</b>	<b>191.1</b>	<b>(38.0)</b>	<b>137.1</b>	<b>(13.6)</b>	<b>630.9</b>	
<b>Core net profit</b>	<b>119.0</b>	<b>188.7</b>	<b>(36.9)</b>	<b>146.0</b>	<b>(18.5)</b>	<b>630.9</b>	Core net profit in 1Q22 fell qoq due to the higher dep
EPS (sen)	11.9	19.2	(38.0)	13.8	(13.6)	63.5	expense, and losses at the commercial arm, partially
Core EPS (sen)	12.0	19.0	(36.9)	14.7	(18.5)	63.5	offset by better retail profits.

SOURCES: CGS-CIMB, COMPANY REPORTS

Figure 2: PDB quarterly core net profit/(loss) (RM m)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Earnings revision

RM m	2021A	2022F			2023F			2024F		
		Old	New	chg	Old	New	chg	Old	New	chg
Revenue	22,544	28,445	31,714	11%	31,621	34,730	10%	33,096	36,371	10%
EBITDA	829	990	932	-6%	1,117	1,171	5%	1,165	1,212	4%
Reported PBT	741	932	817	-12%	1,110	1,086	-2%	1,178	1,135	-4%
Core pretax profit	751	932	817	-12%	1,110	1,086	-2%	1,178	1,135	-4%
Reported net profit	530	631	554	-12%	836	818	-2%	887	855	-4%
Reported EPS	0.53	0.64	0.56	-12%	0.84	0.82	-2%	0.89	0.86	-4%
Core net profit	537	631	554	-12%	836	818	-2%	887	855	-4%
Core EPS	0.54	0.64	0.56	-12%	0.84	0.82	-2%	0.89	0.86	-4%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

## DDM valuation ➤

**Figure 4: Dividend discount model**

	FY22-30F	FY31-40F	FY41-50F	Long-term growth	Total
<b>Dividend growth rate (%)</b>	<b>8.8%</b>	<b>3.0%</b>	<b>1.0%</b>	<b>1.0%</b>	
Present value of DPS (RM/share)	7.07	5.60	2.93		15.61
Present value of terminal value (RM/share)					2.77
<b>Present value of existing business (RM/share)</b>					<b>18.37</b>
Net cash balance end-FY22F (RM/share)					2.57
<b>Target price (RM/share)</b>					<b>20.94</b>
<b>Net cash balance at end-FY22F (RM/share)</b>					<b>2.57</b>
FY22F cash balance (RM/share)					2.62
FY22F debt balance (RM/share)					-0.05
<b>Cost of equity calculation</b>					
Rf	4.25%				
ERP	6.00%				
Beta	0.60				
<b>Ke (nominal)</b>	<b>7.85%</b>				

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Upside risk: stronger-than-expected demand recovery now that Malaysia's international borders have reopened.

Downside risk: recovery in jet fuel demand (38% of commercial volumes in FY19) may be gradual due to airlines' operational constraints; potential reduction in PDB's dividend payout from the 131-137% payouts for FY20-21.

## Further information on the results ➤

**Figure 5: Segmental breakdown**

	1QFY22	1QFY21	yoy % chg	4QFY21	qoq % chg	Comments
<b>Revenue (RM m)</b>	<b>7,618.3</b>	<b>5,142.4</b>	<b>48.1</b>	<b>7,057.4</b>	<b>7.9</b>	
- Retail	3,803.2	3,052.3	24.6	3,890.1	(2.2)	Retail revenue fell qoq in 1Q22 due to seasonal factors.
- Commercial	3,763.7	2,049.4	83.6	3,159.0	19.1	Commercial revenue rose qoq in 1Q22 due to higher prices
- Others	51.4	40.7	26.3	8.3	523.2	and pick-up in jet fuel sales volume on the back of more flights.
<b>Yoy change in sales volume (%)</b>	<b>20.0%</b>	<b>-21.0%</b>		<b>16.0%</b>		
- Retail	18.0%	-9.0%		15.0%		
- Commercial	23.0%	-34.0%		18.0%		
<b>EBITDA (RM m)</b>	<b>206.6</b>	<b>340.3</b>	<b>(39.3)</b>	<b>186.9</b>	<b>10.5</b>	
- Retail	242.5	229.8	5.5	130.5	85.8	Retail EBITDA rose 86% qoq due to lagged inventory gains on the back of strong qoq rise in oil prices.
- Commercial	(35.4)	113.5	(131.1)	61.7	(157.3)	Commercial EBITDA fell into a loss in 1Q11 as the surge in
- Others	(0.5)	(3.1)	nm	(5.3)	nm	MOPS costs could not be immediately passed on to customers.
<b>EBITDA margin (%)</b>	<b>2.7%</b>	<b>6.6%</b>		<b>2.6%</b>		
- Retail	6.4%	7.5%		3.4%		
- Commercial	-0.9%	5.5%		2.0%		
<b>EBIT (RM m)</b>	<b>181.2</b>	<b>285.4</b>	<b>(36.5)</b>	<b>212.2</b>	<b>(14.6)</b>	
- Retail	212.6	183.8	15.7	137.4	54.7	
- Commercial	(41.1)	108.2	(138.0)	60.1	(168.4)	
- Others	9.8	(6.6)	(247.4)	14.7	(33.4)	
<b>EBIT margin (%)</b>	<b>2.4%</b>	<b>5.5%</b>		<b>3.0%</b>		
- Retail	5.6%	6.0%		3.5%		
- Commercial	-1.1%	5.3%		1.9%		

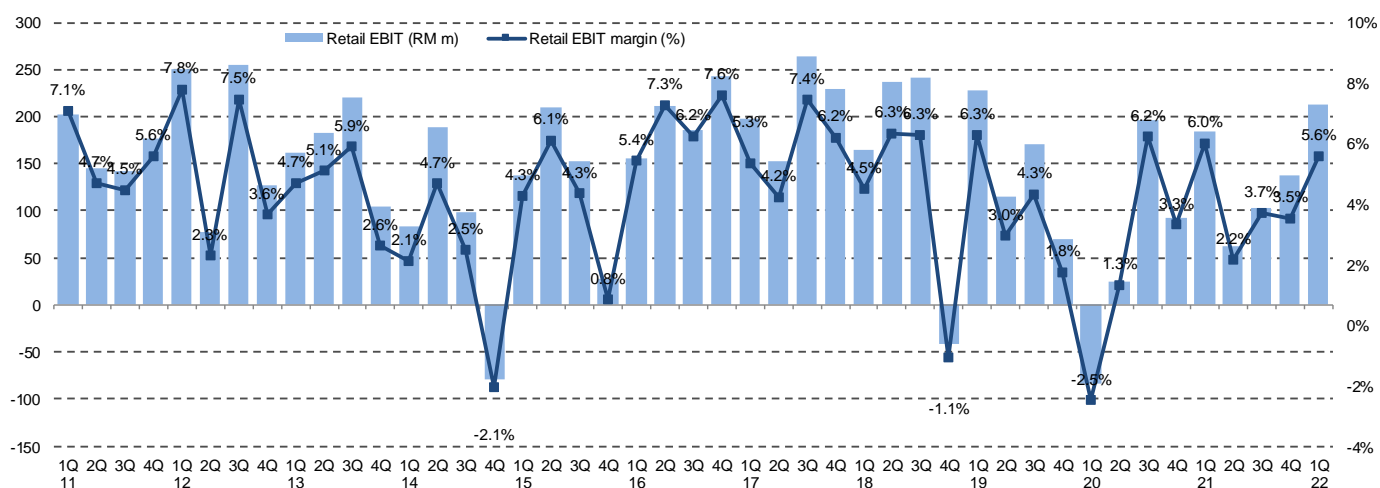
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6: Retail business P&L

	1QFY22	1QFY21	yoy %	4QFY21	qoq %	
			chg	chg		Comments
<b>Revenue (RM m)</b>	<b>3,803.2</b>	<b>3,052.3</b>	24.6	<b>3,890.1</b>	(2.2)	Retail revenue in 1Q22 fell qoq due to seasonally lower
- Direct costs	(3,560.7)	(2,822.5)	26.2	(3,759.6)	(5.3)	volume sales, partially offset by higher selling prices.
<b>EBITDA</b>	<b>242.5</b>	<b>229.8</b>	5.5	<b>130.5</b>	85.8	Retail EBITDA rose 86% qoq due to lagged inventory
<i>EBITDA margin (%)</i>	6.4%	7.5%		3.4%		gains on the back of strong qoq rise in oil prices.
- Depreciation	(82.2)	(76.6)	7.3	(89.3)	(8.0)	
+ Other income/(expenses)	52.3	30.6	70.8	96.3	(45.7)	
<b>EBIT</b>	<b>212.6</b>	<b>183.8</b>	15.7	<b>137.4</b>	54.7	
<i>EBIT margin (%)</i>	5.6%	6.0%		3.5%		

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: Petronas Dagangan: Retail EBIT (RM m) and EBIT margins (%)



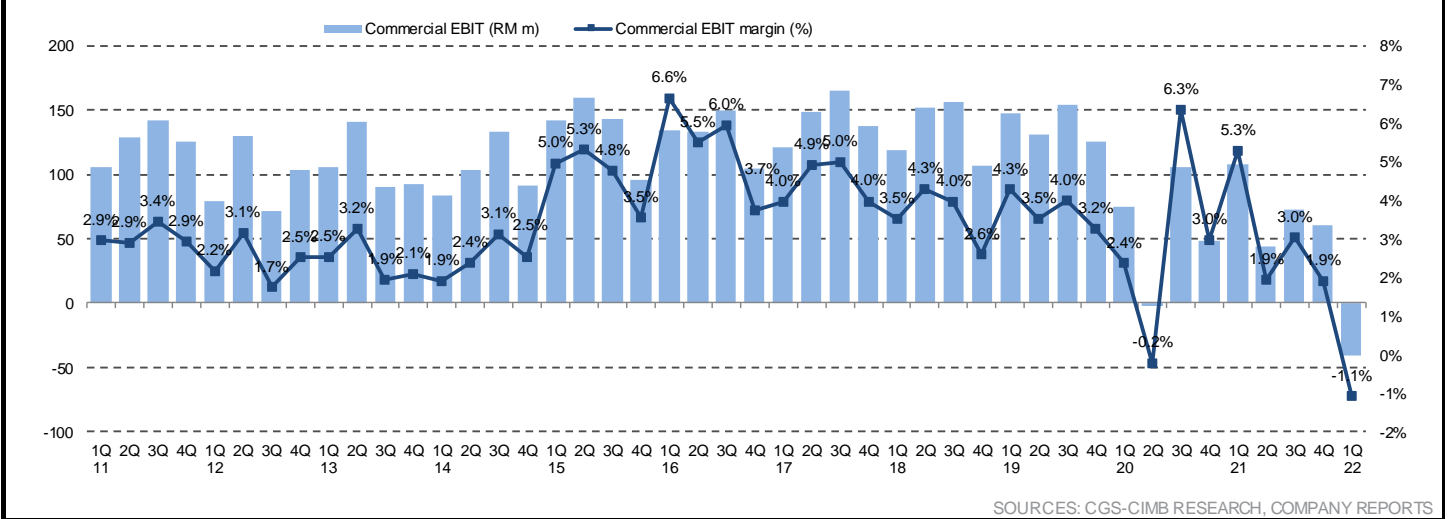
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: Commercial business P&L

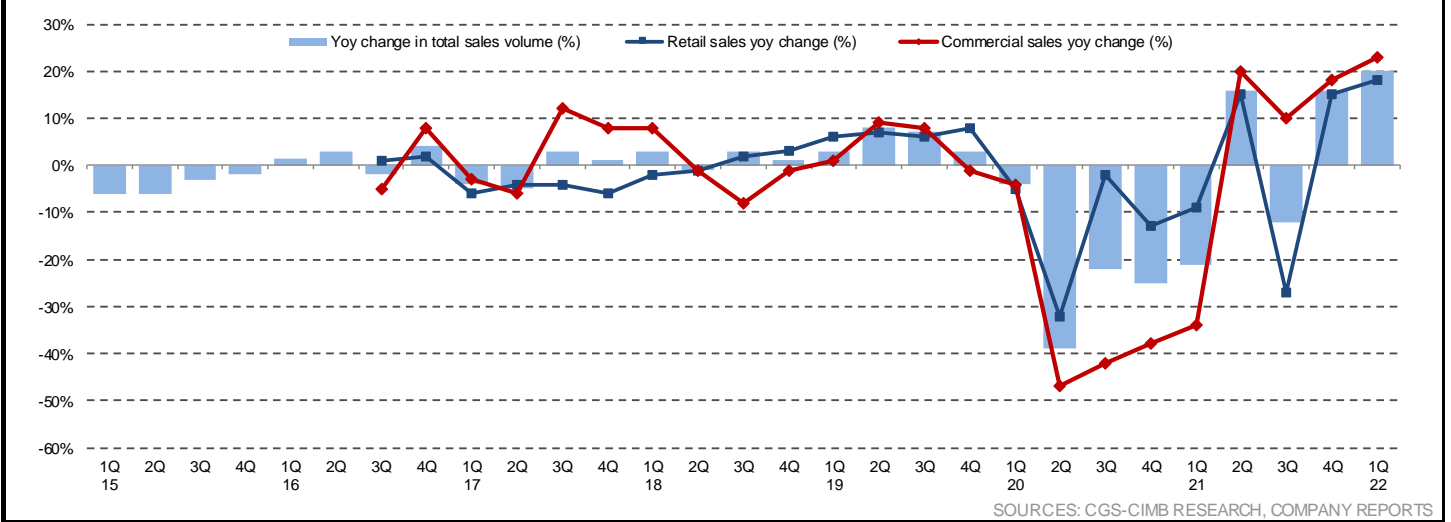
	1QFY22	1QFY21	yoy %	4QFY21	qoq %	
			chg	chg		Comments
<b>Revenue (RM m)</b>	<b>3,763.7</b>	<b>2,049.4</b>	83.6	<b>3,159.0</b>	19.1	Commercial rev rose qoq on the back of higher selling price
- Direct costs	(3,799.1)	(1,935.9)	96.2	(3,097.2)	22.7	and higher jet fuel sales volume due to more flights.
<b>EBITDA</b>	<b>(35.4)</b>	<b>113.5</b>	nm	<b>61.7</b>	nm	However, 1Q22 EBITDA fell into a loss as the surge in
<i>EBITDA margin (%)</i>	-0.9%	5.5%		2.0%		MOPS costs could not be immediately passed on to
- Depreciation	(17.2)	(20.8)	(17.5)	(14.3)	20.2	customers.
+ Other income/(expenses)	11.4	15.5	(26.4)	12.7	(10.0)	
<b>EBIT</b>	<b>(41.1)</b>	<b>108.2</b>	nm	<b>60.1</b>	nm	
<i>EBIT margin (%)</i>	-1.1%	5.3%		1.9%		

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 9: Petronas Dagangan: Commercial EBIT (RM m) and EBIT margins (%)**



**Figure 10: Petronas Dagangan: Change in sales volume (%)**



## Sequential quarterly tables ►

**Figure 11: Results comparison**

FYE Dec (RM m)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Revenue	6,553.9	2,931.8	4,830.5	4,394.8	5,142.4	5,144.0	5,200.7	7,057.4	7,618.3
Operating costs	(6,549.0)	(2,875.0)	(4,503.7)	(4,233.9)	(4,802.1)	(5,040.3)	(5,002.8)	(6,870.4)	(7,411.7)
EBITDA	4.9	56.7	326.8	160.9	340.3	103.7	197.8	186.9	206.6
EBITDA margin (%)	0.1	1.9	6.8	3.7	6.6	2.0	3.8	2.6	2.7
Depn & amort.	(128.8)	(126.6)	(122.2)	(120.2)	(114.7)	(116.2)	(108.1)	(73.1)	(104.7)
Interest & invt inc	110.1	75.4	87.6	90.7	59.8	106.0	77.8	98.5	79.3
EBIT	(13.9)	5.6	292.2	131.3	285.4	93.5	167.6	212.2	181.2
Interest expense	(4.6)	(4.0)	(3.5)	(4.0)	(2.7)	(2.4)	(2.3)	(4.2)	(2.8)
Associates' contrib	0.4	(0.5)	(0.3)	0.3	0.3	0.0	0.3	0.6	0.8
Exceptionals	(0.4)	0.1	(0.1)	(12.3)	2.4	(1.1)	-	(8.9)	(0.5)
<b>Pretax profit</b>	<b>(18.4)</b>	<b>1.2</b>	<b>288.3</b>	<b>115.4</b>	<b>285.5</b>	<b>90.0</b>	<b>165.5</b>	<b>199.7</b>	<b>178.7</b>
Tax	(9.3)	0.5	(77.5)	(27.7)	(94.3)	(7.6)	(45.9)	(61.7)	(58.4)
Tax rate (%)	(50.3)	(43.3)	26.9	24.0	33.0	8.4	27.7	30.9	32.7
Minority interests	(1.7)	1.8	1.9	1.6	(0.1)	(0.2)	(0.3)	(0.9)	(1.9)
<b>Net profit</b>	<b>(29.4)</b>	<b>3.5</b>	<b>212.7</b>	<b>89.2</b>	<b>191.1</b>	<b>82.1</b>	<b>119.3</b>	<b>137.1</b>	<b>118.5</b>
<b>Core net profit</b>	<b>(29.0)</b>	<b>3.5</b>	<b>212.8</b>	<b>101.5</b>	<b>188.7</b>	<b>83.2</b>	<b>119.3</b>	<b>146.0</b>	<b>119.0</b>
EPS (sen)	(3.0)	0.4	21.4	9.0	19.2	8.3	12.0	13.8	11.9
Core EPS (sen)	(2.9)	0.3	21.4	10.2	19.0	8.4	12.0	14.7	12.0
<b>Breakdown of exceptionals</b>	<b>(0.4)</b>	<b>0.1</b>	<b>(0.1)</b>	<b>(12.3)</b>	<b>2.4</b>	<b>(1.1)</b>	<b>-</b>	<b>(8.9)</b>	<b>(0.5)</b>
- Gain/(loss) on disposal of PPE	(0.4)	0.1	(0.1)	(3.8)	2.4	(0.3)	-	(3.7)	-
- PPE written off	-	-	-	(8.5)	-	(0.7)	-	(1.1)	(0.5)
- Impairment of PPE	-	-	-	-	-	-	-	(4.1)	-
- Others	-	-	-	-	-	-	-	-	-

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 12: Retail business P&L**

	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
<b>Revenue (RM m)</b>	<b>3,398.3</b>	<b>1,827.9</b>	<b>3,166.5</b>	<b>2,785.7</b>	<b>3,052.3</b>	<b>2,880.1</b>	<b>2,790.1</b>	<b>3,890.1</b>	<b>3,803.2</b>
- Direct costs	-3,482.4	-1,773.1	-2,953.5	-2,674.6	-2,822.5	-2,820.7	-2,668.0	-3,759.6	-3,560.7
<b>EBITDA</b>	<b>-84.1</b>	<b>54.8</b>	<b>212.9</b>	<b>111.1</b>	<b>229.8</b>	<b>59.4</b>	<b>122.1</b>	<b>130.5</b>	<b>242.5</b>
<i>EBITDA margin (%)</i>	<i>-2.5%</i>	<i>3.0%</i>	<i>6.7%</i>	<i>4.0%</i>	<i>7.5%</i>	<i>2.1%</i>	<i>4.4%</i>	<i>3.4%</i>	<i>6.4%</i>
- Depreciation	-93.8	-93.1	-93.2	-94.0	-76.6	-106.0	-85.8	-89.3	-82.2
+ Other income/(expenses)	93.8	62.4	77.2	75.4	30.6	109.1	67.1	96.3	52.3
<b>EBIT</b>	<b>-84.1</b>	<b>24.2</b>	<b>196.9</b>	<b>92.6</b>	<b>183.8</b>	<b>62.5</b>	<b>103.4</b>	<b>137.4</b>	<b>212.6</b>
<i>EBIT margin (%)</i>	<i>-2.5%</i>	<i>1.3%</i>	<i>6.2%</i>	<i>3.3%</i>	<i>6.0%</i>	<i>2.2%</i>	<i>3.7%</i>	<i>3.5%</i>	<i>5.6%</i>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 13: Commercial business P&L**

	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
<b>Revenue (RM m)</b>	<b>3,149.5</b>	<b>1,102.8</b>	<b>1,662.1</b>	<b>1,606.7</b>	<b>2,049.4</b>	<b>2,258.2</b>	<b>2,401.3</b>	<b>3,159.0</b>	<b>3,763.7</b>
- Direct costs	-3,063.9	-1,091.9	-1,546.9	-1,556.8	-1,935.9	-2,211.9	-2,324.1	-3,097.2	-3,799.1
<b>EBITDA</b>	<b>85.6</b>	<b>10.9</b>	<b>115.2</b>	<b>49.9</b>	<b>113.5</b>	<b>46.3</b>	<b>77.2</b>	<b>61.7</b>	<b>-35.4</b>
<i>EBITDA margin (%)</i>	<i>2.7%</i>	<i>1.0%</i>	<i>6.9%</i>	<i>3.1%</i>	<i>5.5%</i>	<i>2.1%</i>	<i>3.2%</i>	<i>2.0%</i>	<i>-0.9%</i>
- Depreciation	-26.9	-24.2	-19.9	-17.1	-20.8	-12.3	-14.6	-14.3	-17.2
+ Other income/(expenses)	15.5	10.9	10.1	15.0	15.5	9.8	9.8	12.7	11.4
<b>EBIT</b>	<b>74.2</b>	<b>-2.4</b>	<b>105.4</b>	<b>47.8</b>	<b>108.2</b>	<b>43.9</b>	<b>72.4</b>	<b>60.1</b>	<b>-41.1</b>
<i>EBIT margin (%)</i>	<i>2.4%</i>	<i>-0.2%</i>	<i>6.3%</i>	<i>3.0%</i>	<i>5.3%</i>	<i>1.9%</i>	<i>3.0%</i>	<i>1.9%</i>	<i>-1.1%</i>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



Refinitiv ESG Scores



**ESG in a nutshell**

There are plenty of challenges for PDB in the long term, including how long its business of supplying fossil transportation fuels will remain relevant in a world that is gradually electrifying its vehicles. We struggle to see how PDB can effectively remake itself, especially since hydrogen is unlikely to take off given how far electric vehicle technology has progressed down the cost curve. PDB is part of the Petronas Group that has revealed a net-zero carbon emissions aspiration by 2050F but we have yet to see a detailed roadmap of how PDB intends to align itself with this goal.

**Keep your eye on**

As a retailer and wholesaler of fossil fuels for transportation and cooking purposes, PDB is at risk of gradual and long-term decline in its core retail business, due to the adoption of, and transition to, hybrid vehicles and/or electric vehicles (EV).

Nevertheless, the commercial side of its business involving sales of jet fuel to airlines and diesel sales to various industries will likely be more defensive due to the technical difficulty of electrifying heavy vehicles, airplanes, offshore service vessels, and drilling rigs.

**Implications**

Internal combustion engine (ICE) vehicle sales still comprise the vast majority of new vehicles sold in Malaysia, hence PDB's existing business will remain relevant for many years to come.

PDB has toyed with the idea of providing fast charging services for electric or hybrid cars, but it is unlikely that consumers will want to wait at the petrol station. PDB currently has 'ChargEV' facilities at 61 locations nationwide for the purpose of recharging EVs.

**ESG highlights**

PDB disclosed that it emitted 158,200 tonnes of CO<sub>2</sub>-equivalent (CO<sub>2</sub>-e) greenhouse gases (GHG) in 2020 (excluding Petronas NGV), down 9% from 174,300 tonnes of CO<sub>2</sub>-e in 2019. By comparison, sales volume during 2020 declined 23% as a consequence of the Covid-19 pandemic.

PDB's GHG disclosures include Scope 1 emissions from company-owned vehicles and vehicles that are contractually dedicated for exclusive use to transport its fuels (e.g. road tankers), as well as Scope 2 emissions generated via the consumption of electricity at its terminals, retail stations, regional office buildings and training centres.

**Implications**

PDB is part of the Petronas Group, which announced a net-zero carbon emissions aspiration by 2050F. However, in its Sustainability Report 2020, PDB did not disclose a roadmap for how it intends to achieve the net zero target in terms of its Scope 1 and Scope 2 emissions.

PDB is, however, moving towards reducing the carbon content of the fuels that it is selling, which are otherwise known as Scope 3 emissions. For instance, PDB said that it is committed to growing its sustainable fuel portfolio. These include offering the B20 grade of biodiesel (containing 20% palm oil methyl ester) to its retail customers. In addition, PDB currently uses road trucks to deliver LNG to off-grid customers in Peninsular Malaysia, as well as offering LNG to its shipping customers as bunker fuel. Separately, PDB also offers Euro 5-compliant diesel that has reduced sulphur content.

**Trends**

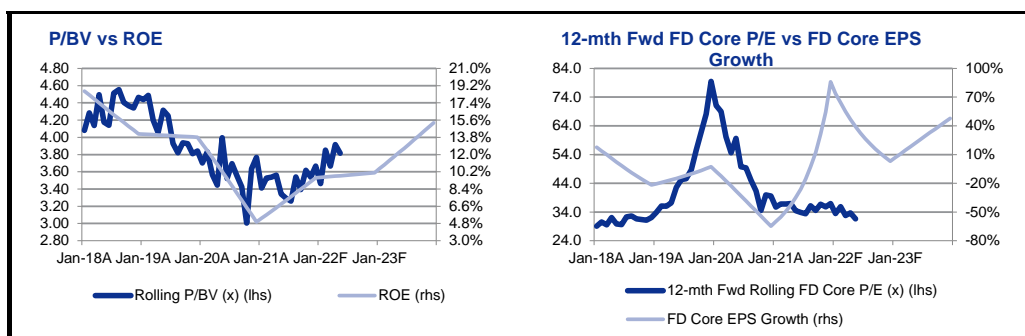
Hydrogen is emerging as an alternative zero-carbon fuel for vehicles, and a roll-out of hydrogen refuelling stations can be seen in the US and China, for example. If hydrogen takes off in Malaysia, especially green hydrogen that is produced from electrolysis of water using renewable energy, PDB can remake its fuel stations into hydrogen refuelling stations in the future.

**Implications**

At the moment, it appears unlikely that PDB will remake itself as a hydrogen refuelling business, in our view, given that hydrogen as a fuel for passenger vehicles is far more expensive relative to EVs powered by batteries. Also, Malaysia may not have sufficient supply of renewable energy. Over the next decade, PDB may have to rethink its business model to remain relevant in the retail market.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, REFINITIV

## BY THE NUMBERS



### Profit & Loss

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>Total Net Revenues</b>	<b>18,711</b>	<b>22,544</b>	<b>31,714</b>	<b>34,730</b>	<b>36,371</b>
<b>Gross Profit</b>	<b>549</b>	<b>829</b>	<b>932</b>	<b>1,171</b>	<b>1,212</b>
<b>Operating EBITDA</b>	<b>549</b>	<b>829</b>	<b>932</b>	<b>1,171</b>	<b>1,212</b>
Depreciation And Amortisation	-498	-412	-427	-429	-430
<b>Operating EBIT</b>	<b>52</b>	<b>417</b>	<b>505</b>	<b>743</b>	<b>782</b>
Financial Income/(Expense)	348	330	307	339	348
Pretax Income/(Loss) from Assoc.	-0	1	5	5	5
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>399</b>	<b>748</b>	<b>817</b>	<b>1,086</b>	<b>1,135</b>
Exceptional Items	-13	-8	0	0	0
<b>Pre-tax Profit</b>	<b>386</b>	<b>741</b>	<b>817</b>	<b>1,086</b>	<b>1,135</b>
Taxation	-114	-210	-261	-266	-278
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>272</b>	<b>531</b>	<b>556</b>	<b>820</b>	<b>857</b>
Minority Interests	4	-1	-2	-2	-2
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>276</b>	<b>530</b>	<b>554</b>	<b>818</b>	<b>855</b>
Recurring Net Profit	289	537	554	818	855
<b>Fully Diluted Recurring Net Profit</b>	<b>289</b>	<b>537</b>	<b>554</b>	<b>818</b>	<b>855</b>

### Cash Flow

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>EBITDA</b>	<b>549.4</b>	<b>828.8</b>	<b>931.7</b>	<b>1,171.4</b>	<b>1,212.2</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(319.4)	(771.7)	981.5	68.7	51.8
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	455.5	378.4	374.7	365.5	369.6
Other Operating Cashflow	(162.9)	(88.1)	(114.7)	(84.9)	(77.1)
Net Interest (Paid)/Received	56.4	51.7	47.5	58.3	55.8
Tax Paid	(162.6)	(150.4)	(261.1)	(266.2)	(278.1)
<b>Cashflow From Operations</b>	<b>416.3</b>	<b>248.7</b>	<b>1,959.5</b>	<b>1,312.8</b>	<b>1,334.2</b>
Capex	(443.2)	(374.3)	(450.0)	(450.0)	(450.0)
Disposals Of FAs/subsidiaries	1.6	9.5	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	6.6	0.0	0.0	0.0
Other Investing Cashflow	51.0	0.0	0.0	0.0	0.0
<b>Cash Flow From Investing</b>	<b>(390.7)</b>	<b>(358.3)</b>	<b>(450.0)</b>	<b>(450.0)</b>	<b>(450.0)</b>
Debt Raised/(repaid)	(156.9)	(67.2)	(64.9)	(31.9)	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	(606.0)	(606.0)	(755.0)	(894.1)	(1,142.5)
Preferred Dividends					
Other Financing Cashflow	0.0	0.0	0.0	0.0	0.0
<b>Cash Flow From Financing</b>	<b>(762.9)</b>	<b>(673.2)</b>	<b>(820.0)</b>	<b>(926.0)</b>	<b>(1,142.5)</b>
Total Cash Generated	(737.3)	(782.8)	689.6	(63.2)	(258.3)
<b>Free Cashflow To Equity</b>	<b>(131.3)</b>	<b>(176.8)</b>	<b>1,444.6</b>	<b>830.9</b>	<b>884.2</b>
<b>Free Cashflow To Firm</b>	<b>40.5</b>	<b>(100.0)</b>	<b>1,518.5</b>	<b>868.7</b>	<b>888.6</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



## BY THE NUMBERS... cont'd

### Balance Sheet

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	2,692	1,911	2,601	2,537	2,279
Total Debtors	1,169	3,490	3,964	4,341	4,546
Inventories	410	159	225	246	257
Total Other Current Assets	0	0	0	0	0
<b>Total Current Assets</b>	<b>4,271</b>	<b>5,560</b>	<b>6,790</b>	<b>7,124</b>	<b>7,083</b>
Fixed Assets	4,067	4,018	4,040	4,062	4,081
Total Investments	21	22	27	32	37
Intangible Assets	0	1	1	1	1
Total Other Non-Current Assets	0	0	0	0	0
<b>Total Non-current Assets</b>	<b>4,088</b>	<b>4,041</b>	<b>4,069</b>	<b>4,095</b>	<b>4,119</b>
Short-term Debt	81	24	16	16	16
Current Portion of Long-Term Debt					
Total Creditors	2,342	3,645	5,167	5,633	5,902
Other Current Liabilities	29	90	90	90	90
<b>Total Current Liabilities</b>	<b>2,452</b>	<b>3,759</b>	<b>5,273</b>	<b>5,739</b>	<b>6,007</b>
Total Long-term Debt	0	0	0	0	0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	232	226	166	134	134
<b>Total Non-current Liabilities</b>	<b>232</b>	<b>226</b>	<b>166</b>	<b>134</b>	<b>134</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>2,684</b>	<b>3,985</b>	<b>5,439</b>	<b>5,873</b>	<b>6,141</b>
Shareholders' Equity	5,644	5,582	5,381	5,305	5,018
Minority Interests	32	33	35	37	39
<b>Total Equity</b>	<b>5,676</b>	<b>5,615</b>	<b>5,416</b>	<b>5,343</b>	<b>5,057</b>

### Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	(38.2%)	20.5%	40.7%	9.5%	4.7%
Operating EBITDA Growth	(53.1%)	50.9%	12.4%	25.7%	3.5%
Operating EBITDA Margin	2.94%	3.68%	2.94%	3.37%	3.33%
Net Cash Per Share (RM)	2.53	1.81	2.57	2.54	2.28
BVPS (RM)	5.68	5.62	5.42	5.34	5.05
Gross Interest Cover	3.2	35.8	56.4	126.1	178.0
Effective Tax Rate	29.5%	28.3%	32.0%	24.5%	24.5%
Net Dividend Payout Ratio	131%	129%	135%	134%	134%
Accounts Receivables Days	26.74	37.72	42.90	43.64	44.72
Inventory Days	12.16	4.78	2.28	2.56	2.62
Accounts Payables Days	58.26	50.32	52.24	58.73	60.04
ROIC (%)	1.3%	9.7%	9.8%	19.0%	20.3%
ROCE (%)	2.0%	8.2%	10.0%	14.9%	16.1%
Return On Average Assets	0.23%	3.20%	3.15%	5.10%	5.28%

### Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total volume growth (%)	-23.0%	-2.4%	17.2%	9.1%	4.5%
Retail volume growth (%)	-13.0%	-3.0%	15.0%	4.0%	2.0%
Commercial volume growth (%)	-33.0%	-1.0%	25.0%	15.7%	7.2%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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<b>Score Range:</b>	90 - 100	80 - 89	70 - 79	Below 70	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	N/A

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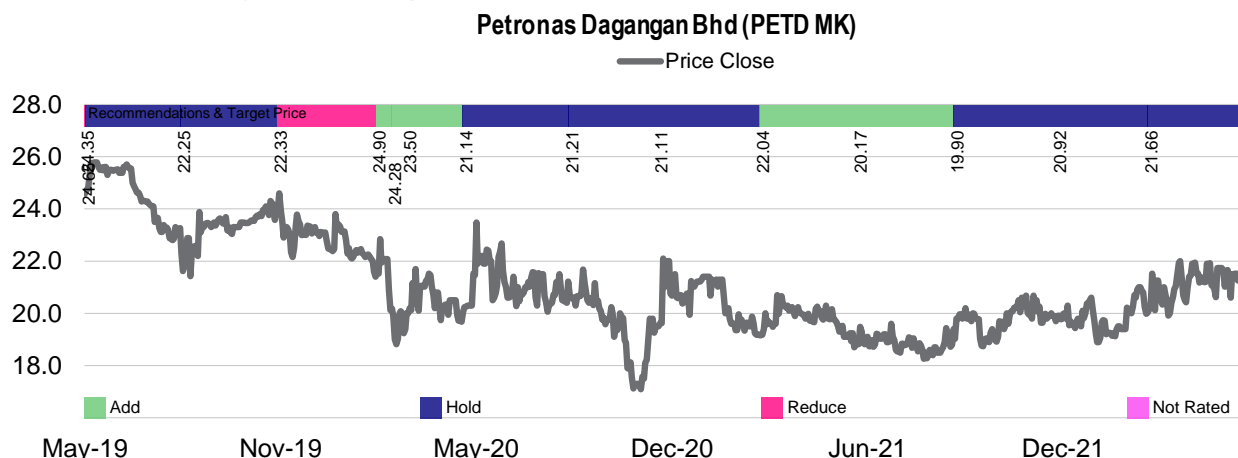
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
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.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Recommendation Framework	
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Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>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.</i>	
<b>Sector Ratings</b>	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
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Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
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Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.