

# Chief Financial Officer's Review

PDB's financial performance in 2022 was a reflection of great collaboration and robust efforts to remain strong on our core business and on track with our growth agenda. Despite various challenges which include the volatility of petroleum pricing, escalating costs and inflation, we achieved historic results with Profit Before Tax (PBT) increasing 53% to RM1,135.0 million.

**FARZLINA AHMAD MURAD**

Chief Financial Officer



## FINANCIAL PERFORMANCE REVIEW

For the year under review, the Group's revenue increased by 62% against 2021 to RM36,748.9 million as a result of higher sales volume of 28%, driven by increased travel domestically and internationally as well as higher average selling price of 26%.

The Group's increase in OPEX was mainly attributable to dealers' commission, in line with higher sales volume. Nevertheless, cash balance remains healthy at RM2,889.2 million on the back of increased business activities and prudent spending on CAPEX. These factors contributed to the Group's PBT growing by 53% to RM1,135.0 million, and our Profit After Tax (PAT) increasing by 48% to RM787.8 million, taking into the consideration the one-off inclusion of *Cukai Makmur*.

### REVENUE

**RM36,748.9**  
million



### PROFIT BEFORE TAX

**RM1,135.0**  
million

### TOTAL ASSETS

**RM11,257.5**  
million

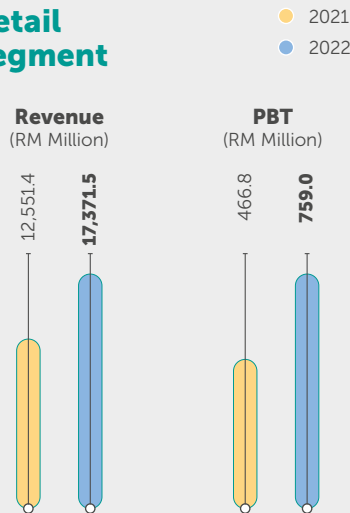
### DIVIDEND DECLARED

**76.0** sen

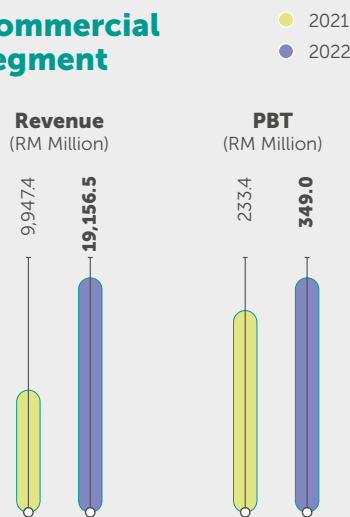
### DIVIDEND PAYOUT RATIO

**100%**

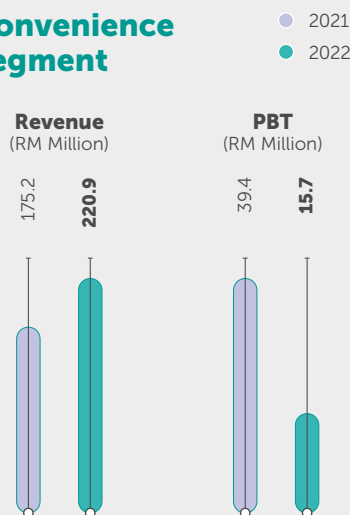
## Retail Segment



## Commercial Segment



## Convenience Segment



## SEGMENTAL REVIEW

From the first quarter of 2022, we have been reporting on the three segments of Retail, Commercial and Convenience Businesses in providing clear focus and clarity on the performance. Following this new structure, Retail is focused on the sale and purchase of petroleum products in the retail sector; Commercial drives the sale and purchase of petroleum products and provision of services to the commercial sector while the Convenience segment focuses on our non-fuel business.

### Retail Segment

Retail segment's revenue increased by RM4,820.1 million, or 38%, mainly as a result of a 33% growth in sales volume in tandem with demand as well as a 4% hike in average selling price. The segment recorded a RM292.2 million increase in PBT against 2021 to RM759.0 million. This stemmed mainly from higher gross profit from Mogas and Diesel in line with sales volume, and other income following a one-off gain on the disposal of our LPG business in Sarawak.

### Commercial Segment

Our Commercial segment recorded RM9,209.1 million, or 93%, increase in revenue, contributed by higher average selling price and sales volume of 61% and 20% respectively. Meanwhile, its PBT increased by RM115.6 million to reach RM349.0 million due to higher gross profit from favourable Diesel prices and sales volume of Jet A-1, offset by an increase in OPEX.

### Convenience Segment

Our Convenience segment saw its revenue increase by RM45.7 million, or 26%, mainly from higher sales at *Kedai Mesra* coupled with the new revenue stream from the launch of *Café Mesra* along with a substantial growth in demand as COVID-19 entered its endemic phase. Setel also expanded its features to include new non-fuel offerings such

as EV charging, on-street and off-street parking, road tax renewal, motor takaful and insurance, auto assistance and paying with Setel at retail partners. While higher gross profit was registered from store sales, the segment was impacted by OPEX in line with strategic prioritisation and business expansion. This resulted in a RM23.7 million decrease in PBT against 2021 to RM15.7 million.

## GROUP FINANCIAL POSITION

### Total Assets

The Group's total assets increased by RM1,656.7 million, or 17%, from RM9,600.8 million to RM11,257.5 million. This was due to higher receivables in line with increase in business activities and average selling price.

### Total Liabilities

The Group's total liabilities increased by 37% from RM3,985.4 million to RM5,470.2 million mainly due to higher trade and other payables resulting from higher purchase costs, in line with an increase in prices.

## CASH FLOW

Continued prudence and discipline in cash flow management yielded positive results in 2022 with a 51% increase in cash and cash equivalents despite an increase in CAPEX.

Net cash from operating activities increased by RM1,797.8 million, in-line with increase in profit and higher receipt of subsidies. Net cash used for investing was RM23.8 million higher due to an RM60.6 million increase in CAPEX mainly from PETRONAS stations asset-refresh programmes and stations network expansion, offset by RM40.0 million in proceeds from the disposal of the LPG business in Sarawak. Net cash used in financing was RM13.3 million higher against 2021, mainly due to higher financing cost and repayment of revolving credit facilities.

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### SHAREHOLDER RETURNS

For the financial year ended 31 December 2022, our total dividends declared amounted to 76 sen per ordinary share, inclusive of a special dividend of 14 sen per share, translating into a payout ratio of 100%. This is in line with our dividend policy of 50% of our PAT. As a measure of our steady performance and commitment to shareholders, we have consistently exceeded this policy.

### COST DISCIPLINE AND SPENDING

During the year, we continued to monitor our OPEX to ensure cost optimisation across all areas of operations. Tracking our priorities and affordability, we ensured sufficient cashflow to capture market volume when domestic travel restrictions were lifted, targeting high-value clients for optimum margins despite volatile global market conditions.

Meanwhile, our CAPEX continues to be subjected to rigorous evaluation framework and close monitoring via the Investment Review Committee. CAPEX is prioritised and approved based on their criticality to HSE needs and meeting PDB's regulatory obligations, or strategic fit to our growth strategy and projected returns. The 2% increase in CAPEX for the year includes investment in new ventures to diversify our income base while ensuring profitable returns. Key priority areas included our Convenience segment offerings such as expanding our Setel ecosystem and Café Mesra roll out as well as investments into digital infrastructure to future-proof our business. Additionally, we remain committed to invest in asset-refresh programmes and expansion of the PETRONAS station network.

### MANAGEMENT OF WORKING CAPITAL AND LIQUIDITY

The Group monitors our cash flow closely to ensure an adequate cash balance and optimal working capital position, as well as to provide a robust reserve against liquidity risks. Despite a lower average cash balance during the year, we were able to finance all our working capital and CAPEX requirements internally supported by the drawdown of a revolving credit facility in May 2022.

Meanwhile, we are benefitting from the New Operating Model implemented since 2021, with PETCO Trading Labuan Company



**5.0** sen  
per ordinary share amounting to  
**RM49,672,700**  
on 24 June 2022



**20.0** sen  
per ordinary share amounting to  
**RM198,690,800**  
on 27 December 2022

Ltd. taking ownership of all inventories that entails planning and primary supply and distribution at selected PDB terminals, eliminating the inventory holding impact and improving the overall working capital management in PDB.

### LEVERAGING TECHNOLOGY TO DRIVE PERFORMANCE

PDB Group has been investing increasingly over the years into technology to enhance operational efficiencies, drive better customer experience and support our digital venture, Setel. With added features such as Setel Share, One-Tap Fuelling, Pay with Apple Watch as well as new mobility use cases, Setel is becoming an app of choice with commendable ratings at Google Play Store and Apple App Store. During the year, with the inclusion of PETRONAS Shop on the platform, its gross merchandise value (GMV) grew by approximately 80% to an all-time high of RM1.8 billion.

Additionally, we continue to deliver company-wide productivity improvement through digitalisation with the launch of TipTop Enterprise App (TEA) and automation of fuel stock management forecasting, capitalising on real-time and enhanced data integration to manage operations seamlessly.

As we expand our digital touch points, we are also safeguarding the integrity of our network in line with regulatory requirements and industry standards. To improve our cyber security resilience, we continue to allocate resources for cyber security solutions covering identity access management



**11.0** sen  
per ordinary share amounting to  
**RM109,279,940**  
on 22 September 2022



**40.0** sen  
per ordinary share amounting to  
**RM397,381,600**  
on 23 March 2023

and end point security for our PETRONAS stations, terminals, infrastructure, data and network components.

### RISK MANAGEMENT

The challenges to our strategy, performance and growth are dynamic and complex. We continue to build our strength and resilience towards achieving our vision to be a progressive energy and solutions partner, enriching lives for a sustainable future. We navigated our year at PDB with our well-established risk and financial policy as well as its related frameworks. These management frameworks in various work processes have proven to ensure the organisation remains resilient amid the uncertainties and changes from recovery of the economy.

The key risks identified during the year are aligned with our business strategies in ensuring all economic, environmental and social aspects are delivered in a

**The Group monitors our cash flow closely to ensure an adequate cash balance and optimal working capital position, as well as to provide a robust reserve against liquidity risks.**

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sustainable manner underpinned by our strong governance practices. In response to post pandemic recovery, we continuously perform a comprehensive review of our risk profile, including periodic assessments impacting PDB based on the scanning, assessment and monitoring of latest events.

We continue to strengthen our risk management practices and accelerated our efforts to inculcate a strong culture of risk awareness among our people whilst supporting the Group's sustainability efforts.

For more information on PDB's Risk Management, please refer to our Statement on Risk Management and Internal Control (SORMIC) on page 211 and our Key Risks and Mitigation on page 61.

## GOVERNANCE AND COMPLIANCE

Good governance remains as an important area for the Group in ensuring sound internal control and decision making. During the year, we have enhanced the Company's Limits of Authority (LOA) in supporting the roles and responsibilities of the Chief Operating Officer (COO), a newly-created leadership position. In addition, PDB and its subsidiaries' LOAs were also revised to strengthen control, reflect business requirements and ensure alignment with other governing documents.

Since its establishment, Compliance Department is responsible to oversee the compliance level and implementation of initiatives pertaining to five Critical Legal Areas which include Ethics and Integrity, Data Privacy, Competition, Sanction and Export Control for PDB Group. A key development has been the establishment of the Data Privacy Officer (DPO) function under Compliance Department with the responsibility of overseeing the data privacy and protection matters which have been identified as one of the key non-financial risks that PDB faced in 2022. Through the sound understanding of PDB's operations and continuous collaboration with Group Legal and Digital Division, the DPO function shall facilitate business growth by enabling secure data transfer across PDB Group and driving governance to ensure full compliance with prevailing laws and regulations, namely Personal Data Protection Act (PDPA) 2010 as well as relevant company policies such as PETRONAS Corporate Privacy Policy (PCPP) and Master Guidelines to the Corporate Privacy Policy (MGCPP).

In line with our efforts to safeguard data privacy and protection of our employees and counterparties, PDB developed and deployed the Data Privacy Manual (DPM) in 2022 with the purpose of ensuring that the personal data collected by PDB is processed safely and in compliance with applicable personal data protection and privacy laws. In addition, PDB also enhanced the Data Secrecy Manual (DSM) to incorporate the latest requirements in the Management of Customer Information and Permitted Disclosures (MCIPD) Policy Document issued by Bank Negara Malaysia with regard to PDB's measures and controls specifically in handling SmartPay customer data throughout the information life cycle.

The Group also continues to conduct First Line Assurance via Integrated Assurance with the aim to provide reasonable assurance to stakeholders on the risk management and internal control effectiveness.

For more information on PDB's Risk Management, Governance and Compliance, please refer to our Statement of Risk Management and Internal Control (SORMIC) on page 211 and our Key Risks and Mitigation on page 61.

## INTEGRATING SUSTAINABILITY

In the last few years, PDB has seen a shift in its approach to sustainability which form integral components to our business and operations. This is clearly reflected in our heightened investment into greener and cleaner fuels while promoting electric mobility. During the year, we expanded our network of DC chargers and launched the first EV charging hub in Malaysia in collaboration with our strategic partner. We are also enhancing the environmental sustainability of our operations through solarisation and elevating the use of SAF for passenger flights, while continuing to play our part in supporting our local communities through strategic corporate social investments.



## OUTLOOK

The Malaysian economy is expected to continue to grow at a healthy pace in 2023, supported by domestic demand, accelerated revival in the tourism industry, and the resumption of infrastructure projects. 2022 ended with the Consumer Sentiment Index higher than the threshold, which lends reason to believe that consumer spending will be healthy in the year ahead.

The scenario paints a positive outlook for PDB and will spur us to continue to grow our Core as well as Convenience business. Increased economic activity will be a boon for all our business segments, while the recovery of the aviation industry from relaxation of Malaysia's travel requirements and China's recent re-opening will greatly boost our Commercial business.

To build on the momentum of growth in our Convenience segment, we seek to continuously enhance customer experience by refining and introducing increasingly innovative digital products in line with the Group's aim of making life simpler and better. Tapping on the evident popularity of Café Mesra, we will expand its network with more stand-alone outlets in various locations, ensuring more customers get to benefit from its strategically curated offerings.

At the same time, we will continue to promote electric mobility by installing more EV chargers nationwide, while pursuing other e-mobility solutions and infrastructure at PETRONAS stations. Investments will also be made to reduce PDB's own carbon footprint. We believe the cost and that the long-term returns serve to enhance PDB's value and the value we create for our stakeholders.

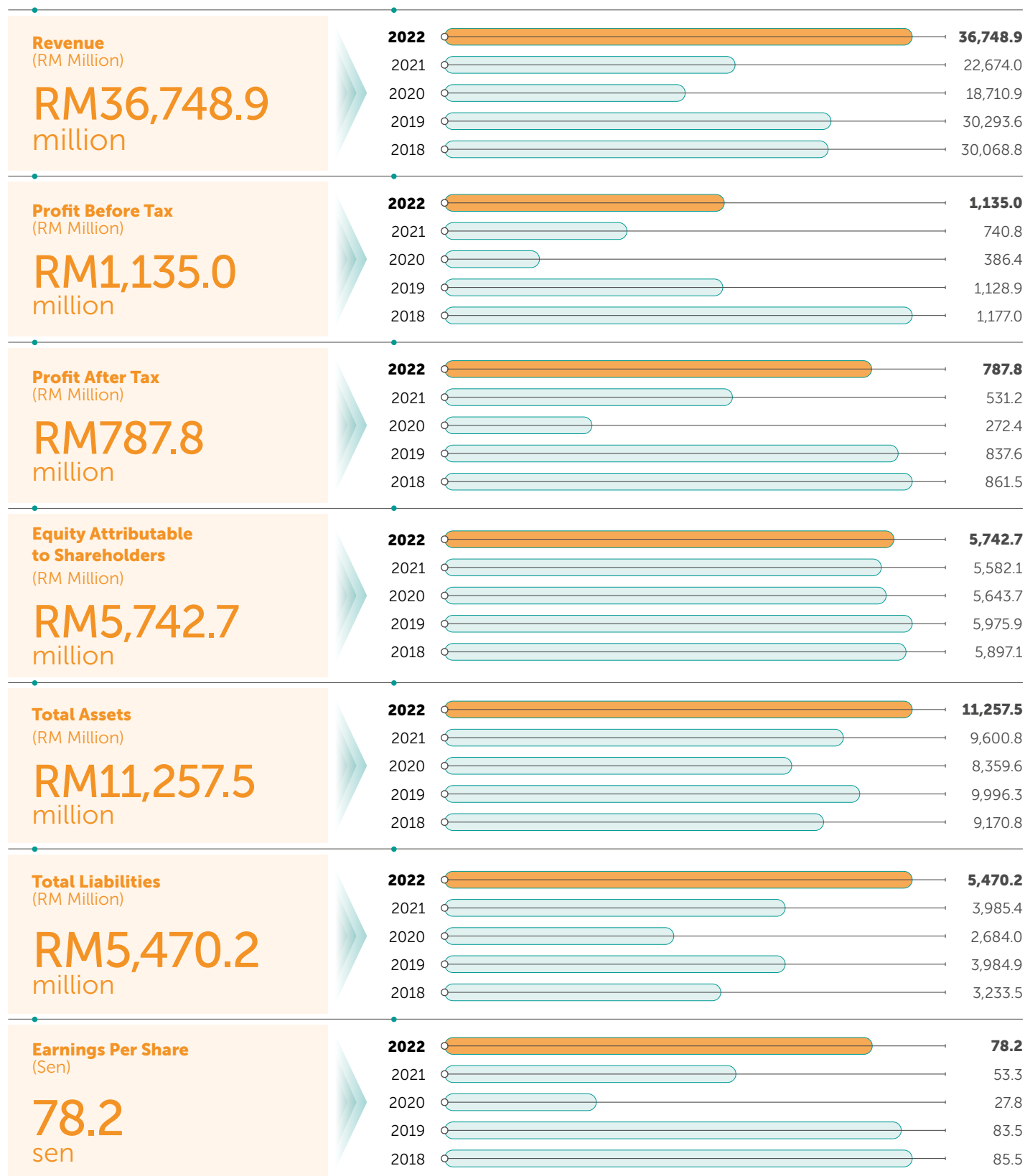
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## 5-YEAR GROUP FINANCIAL HIGHLIGHTS

	FY2018	FY2019	FY2020	FY2021	FY2022
<b>OPERATING RESULTS (RM MILLION)</b>					
Revenue	30,068.8	30,293.6	18,710.9	22,674.0	<b>36,748.9</b>
Operating profit	1,178.1	1,146.8	402.5	751.2	<b>1,148.9</b>
Profit before taxation	1,177.0	1,128.9	386.4	740.8	<b>1,135.0</b>
Net profit attributable to shareholders of the Company	849.8	829.5	276.0	529.8	<b>776.6</b>
Profit after taxation	861.5	837.6	272.4	531.2	<b>787.8</b>
<b>KEY BALANCE SHEET DATA (RM MILLION)</b>					
Property, plant and equipment	3,335.6	4,134.9	4,067.0	4,017.5	<b>4,115.3</b>
Total assets	9,170.8	9,996.3	8,359.6	9,600.8	<b>11,257.5</b>
Total borrowings	55.0	334.2	178.2	116.4	<b>184.3</b>
Total liabilities	3,233.5	3,984.9	2,684.0	3,985.4	<b>5,470.2</b>
Share capital	993.5	993.5	993.5	993.5	<b>993.5</b>
Equity attributable to shareholders	5,897.1	5,975.9	5,643.7	5,582.1	<b>5,742.7</b>
<b>SHARE INFORMATION PER SHARE (SEN)</b>					
Basic earnings	85.5 sen	83.5 sen	27.8 sen	53.3 sen	<b>78.2 sen</b>
Gross dividend	70.0 sen	85.0 sen	38.0 sen	70.0 sen	<b>76.0 sen</b>
Share price as at financial year end (RM)	26.50	23.10	21.40	20.60	<b>23.00</b>
<b>FINANCIAL RATIOS</b>					
Return on revenue	2.9%	2.8%	1.5%	2.3%	<b>2.1%</b>
Return on equity	14.4%	14.0%	4.8%	9.5%	<b>13.7%</b>
Return on total assets	9.4%	8.4%	3.3%	5.5%	<b>7.0%</b>
Debt to equity ratio	0.9%	5.6%	3.1%	2.1%	<b>3.2%</b>
Dividend payout	86.0%	104.0%	96.0%	102.0%	<b>100.0%</b>

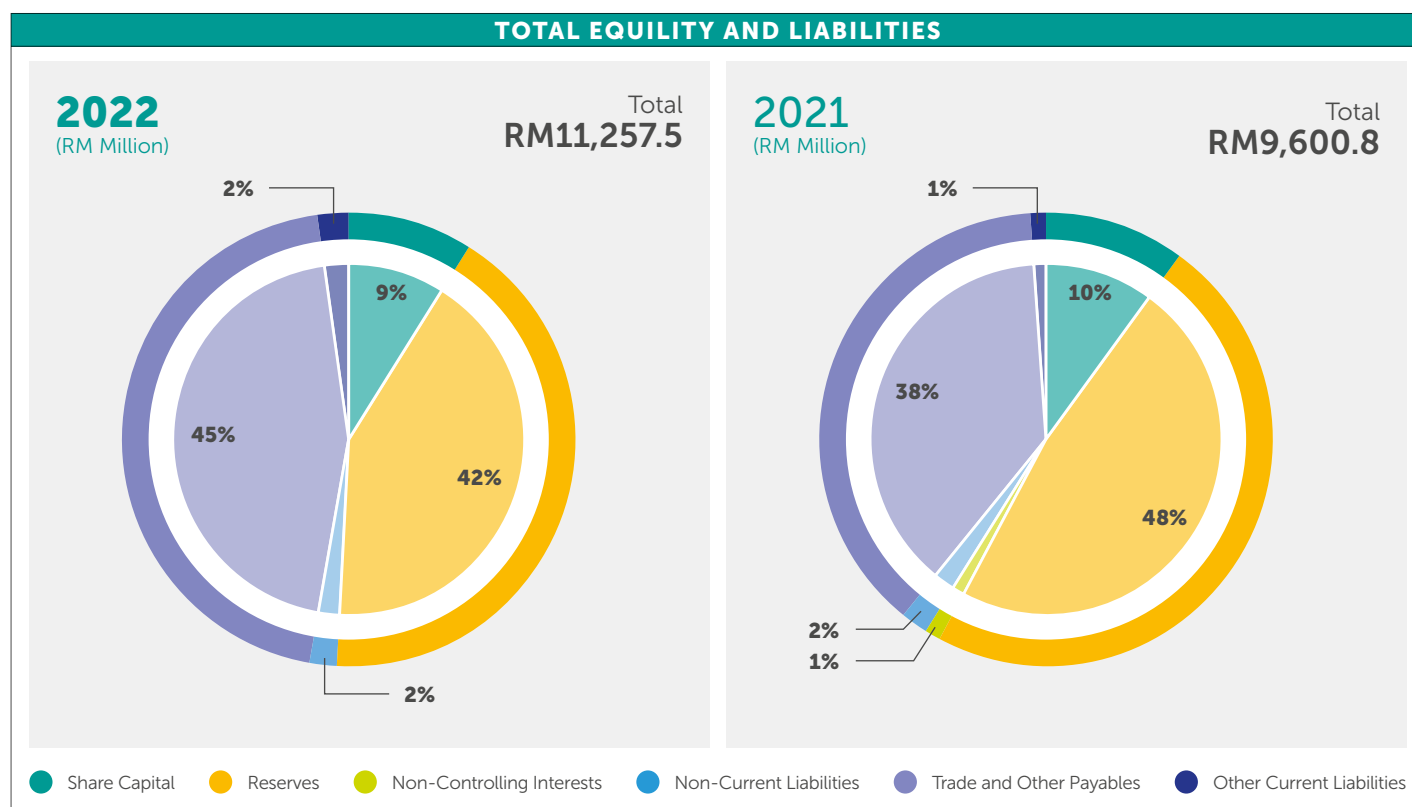
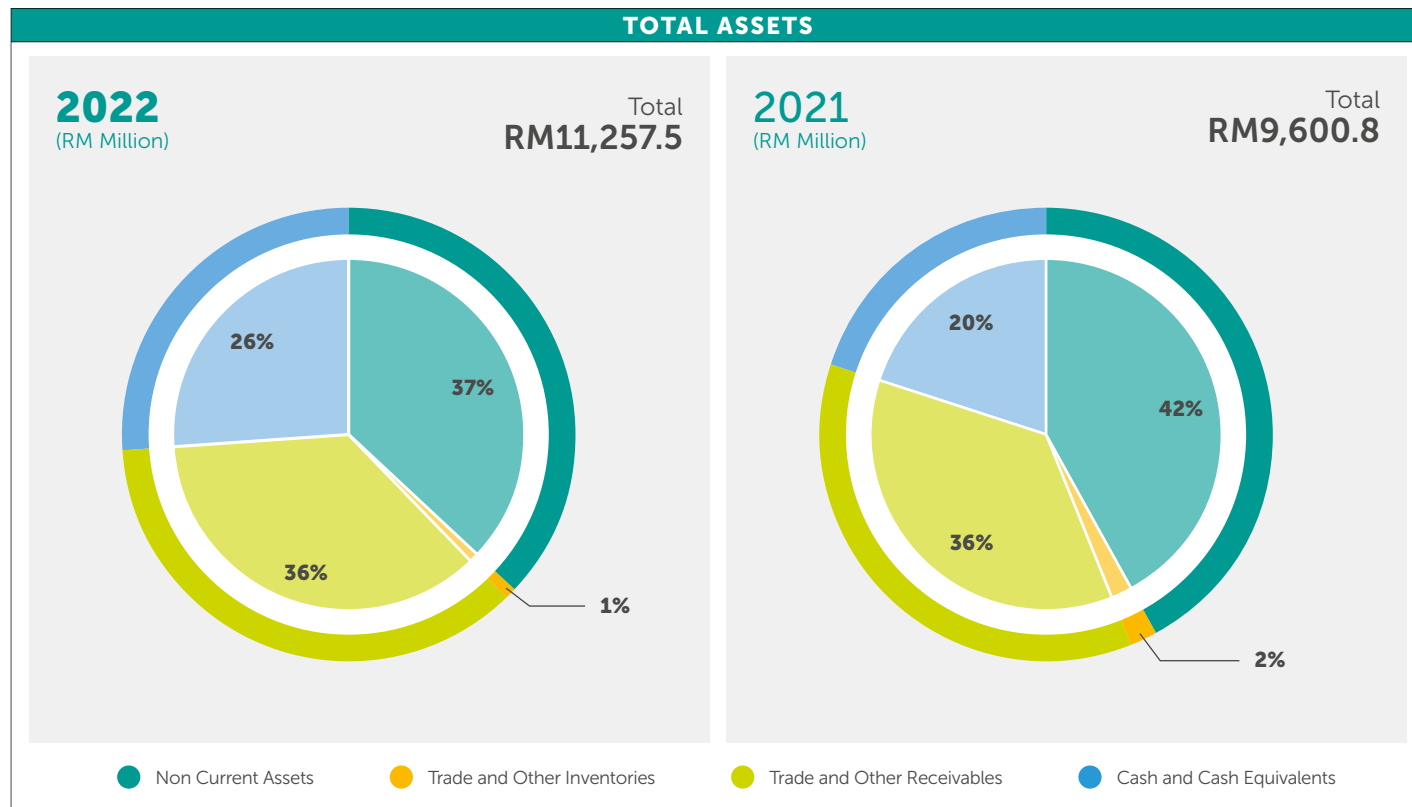
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## 5-YEAR GROUP FINANCIAL SUMMARY



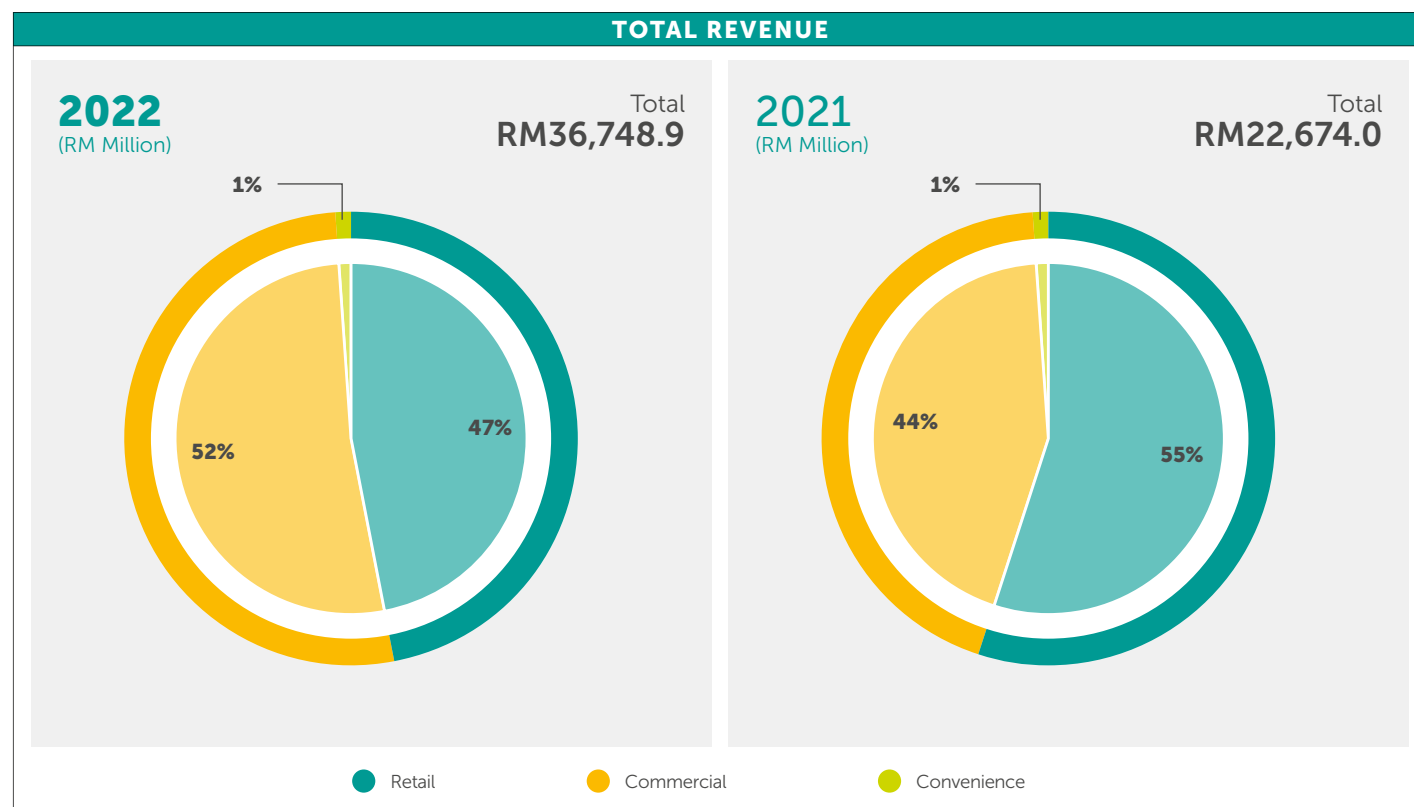
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## SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION



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## SEGMENTAL ANALYSIS



## GROUP QUARTERLY FINANCIAL PERFORMANCE

In RM Million	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2022
Revenue	7,618.3	9,501.1	10,130.7	9,498.8	<b>36,748.9</b>
Operating profit	180.7	317.1	403.1	248.0	<b>1,148.9</b>
Profit before tax	178.7	315.5	399.1	241.7	<b>1,135.0</b>
Profit after tax	120.4	239.4	279.4	148.6	<b>787.8</b>
Earning per share (sen)	11.9	23.9	27.9	14.5	<b>78.2</b>
Dividend per share (sen)	5.0	11.0	20.0	40.0	<b>76.0</b>

In RM Million	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2021
Revenue	5,142.4	5,182.4	5,237.4	7,111.8	<b>22,674.0</b>
Operating profit	287.8	92.4	167.6	203.4	<b>751.2</b>
Profit before tax	285.5	90.0	165.5	199.8	<b>740.8</b>
Profit after tax	191.2	82.4	119.5	138.1	<b>531.2</b>
Earning per share (sen)	19.2	8.3	12.0	13.8	<b>53.3</b>
Dividend per share (sen)	14.0	10.0	20.0	26.0	<b>70.0</b>



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## KEY INTEREST BEARING ASSETS AND LIABILITIES

	2022			2021		
	As at 31 December (RM mil)	Effective Interest Rate (%)	Interest Income/ (Expenses) (RM mil)	As at 31 December (RM mil)	Effective Interest Rate (%)	Interest Income/ (Expenses) (RM mil)
<b>Interest earning assets</b>						
Cash and cash equivalents	<b>2,817.1</b>	<b>1.7-3.0</b>	<b>69.6</b>	1,899.3	1.7-2.0	61.3
<b>Interest bearing liabilities</b>						
Islamic financing facilities	-	-	-	-	2.8-3.6	0.1
Revolving credit	<b>0.0</b>	<b>2.6-3.4</b>	<b>10.2</b>	16.0	2.8-2.9	0.4
Lease liabilities	<b>184.3</b>	<b>3.5-8.4</b>	<b>11.0</b>	100.4	3.2-8.4	9.0

## STATEMENT OF VALUE ADDED/DISTRIBUTION OF VALUE ADDED

Value added is defined as the value created by the activities of a business and its employees and in the case of PDB is determined as revenue less the cost of goods and services. The value added statement reports on the calculation of value added and its application among the stakeholders in the Group. This statement shows the total wealth created and how it was distributed, taking into account the amounts retained and reinvested in the Group for future growth.

Group	2022 RM'000	2021 RM'000
Revenue	<b>36,748,896</b>	22,674,049
Less: Cost of goods and services	<b>(35,135,015)</b>	(21,350,036)
Value added	<b>1,613,881</b>	1,324,013
Other income	<b>391,908</b>	173,288
Financing costs	<b>(25,203)</b>	(11,640)
Share of net profit of associates and joint ventures	<b>11,333</b>	1,221
<b>Value Created</b>	<b>1,991,919</b>	1,486,882

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Group	2022 RM'000	2021 RM'000
<b>Distributed to:</b>		
Employees	392,821	322,319
Providers of equity (net dividends)	615,942	606,007
Providers of debt	25,203	11,640
Government (taxation)	347,197	209,537
Retained for reinvestment and future growth:		
Depreciation and amortisation	438,860	412,155
Unappropriated profit/(loss)	171,896	(74,776)
<b>Value Distribution</b>	<b>1,991,919</b>	<b>1,486,882</b>

