YTL Corporation Berhad

(64677 | YTL MK) Conglo | Power Generation

***Maintain* BUY**

Making A Comeback

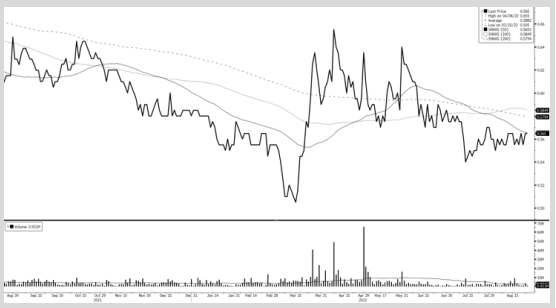
***Unchanged* Target Price: RM0.79**

KEY INVESTMENT HIGHLIGHTS

- **FY22 result within our expectation**
- **Earnings recovery driven by stronger utilities and cement division performance**
- **Hotel division staged a sequential narrowing in losses on easing movement restriction**
- **Maintain BUY at unchanged TP of RM0.79**

RETURN STATISTICS	
Price @ 25th August 2022 (RM)	0.57
Expected share price return (%)	+38.9
Expected dividend yield (%)	+5.3
Expected total return (%)	**+44.2**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	1.8	0.1
3 months	-3.4	-2.4
12 months	-11.7	-7.2

KEY STATISTICS	
FBM KLCI	1,495.49
Syariah compliant	No
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	10964.09
Estimated free float (%)	38.54
Market Capitalisation (RM'm)	6,194.71
52-wk price range	RM0.5 - RM0.67
Beta vs FBM KLCI (x)	0.84
Monthly velocity (%)	0.00
Monthly volatility (%)	16.97
3-mth average daily volume (m)	3.05
3-mth average daily value (RM'm)	1.77
Top Shareholders (%)	
YTL Corporation	36.27
Yeoh Tiong Lay & Sons Holdings	7.32
Employees Provident Fund Board	5.82

Within our expectation. YTL reported core net profit of RM9m (+>100%yoy) for its 4QFY22, which brought FY22 core earnings to RM69m (+>100%yoy). This is within our expectation at 101% of our full year estimate but ahead of consensus' RM174m net loss projection.

Dividends. YTL declared an interim dividend of 3sen/share, which is 20% higher than last year. This implies a reasonably attractive 5.3% yield.

Utilities driven by stronger Seraya performance. Group revenue rose +39%yoy while PBT rose +58%yoy. This was mainly driven by improved performance at the utilities division as Seraya staged a strong comeback from a tighter electricity market in Singapore and partial contribution from Tuaspring from June 2022. This was partly offset by weaker earnings from Wessex Water from temporary cost pressure given a lag in tariff adjustment.

Cement price hike. The cement division saw strong underlying PBT growth (+>100%) (excluding RM258m one-off gain on disposal of China cement operations) as the group benefitted from higher selling price and volume from the domestic market. Similarly on sequential basis, earnings benefitted from an +8%qoq price hike but was partly offset by lower volumes (-5%qoq).

Hotel division showed improvement. Hotels showed improved revenue (+38%qoq) and a narrowing in losses sequentially (4QFY22 LBT: RM5m vs. 3QFY22 LBT: RM32m) given better performance of its hotels and resorts following easing of movement restrictions in the UK and Malaysia.

Earnings revision. While earnings were in-line, we trim our FY23F by -20% to reflect the downward revision for YTL Power as we now exclude contribution from its 45%-owned Jordan shale plant. Nonetheless, we still expect FY23F earnings to grow +70%yoy driven by stronger Seraya and cement division performance, the latter, on absence of MCO impact this year.

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INVESTMENT STATISTICS

FYE June (RMm)	2020	2021	2022	2023F	2024F
Revenue	19,178.4	17,356.2	24,161.1	26,736.1	25,490.7
EBIT	2,022.8	1,797.9	2,739.5	1,890.5	2,312.3
Pretax Profit	419.3	638.5	1,558.7	490.3	964.4
Core net profit	-189.2	-66.0	69.1	117.7	231.4
EPS (sen)	(1.8)	(0.6)	0.7	1.1	2.2
EPS growth	-171.9%	-65.1%	204.7%	70.2%	96.7%
PER (x)	NA	NA	86.9	51.0	25.9
Dividend	0.0	2.5	3.0	3.0	3.0
Dividend yield (%)	0.0	4.4	5.3	5.3	5.2

Source: Company, MIDFR

Recommendation. Despite the earnings cut, we expect YTL's earnings to further improve in FY23F driven by improved earnings at the utilities division (primarily from Power Seraya), improved cement demand and ASPs and an improving outlook for the hotel division with the transition to the endemic phase. Maintain **BUY**. Our SOP-derived **TP** is maintained at RM0.79/share. Dividend yields are reasonably attractive at 5.3% and the stock is trading at a deep 60% discount to FY23F book value.

Exhibit 1: YTL Sum-of-Parts Valuation

Group's businesses	YTL's shareholding	Price (RM/share)	Market Cap (RMm)	Valuation method	Value (RMm)	Value/share (RMm)
Listed Units:						
YTL Power	56%	0.90	6,330.9	MIDF TP	3,518.1	0.32
YTL Land	91%	0.36	298.5	Privatisation price	270.0	0.02
YTL e-Solutions	100%	0.55	739.9	Privatisation price	739.9	0.07
YTL Hospitality REIT	55%	0.94	1,592.4	Market price	875.8	0.08
Starhill Global REIT	37%	0.58*	3937.6**	Market price	1,475.8	0.13
Malayan Cement	76%	3.00	3,675.6	MIDF TP	2,775.4	0.25
Unlisted Units:						
ERL concession	45%			Equity NPV	383	0.03
Construction	100%			12xPE	1,035	0.09
Gross Value					**11,072**	**1.01**
less: holding co net debt					*-1,391*	*-0.13*
Total SOP Value					**9,681**	**0.88**
10% conglo discount						**0.79**

Source: Company, MIDFR **SGD/share* ***Converted to RM*

YTL CORPORATION: 4QFY22 RESULT SUMMARY

FYE Jun (RMm)	4Q21	3Q22	4Q22	YoY	QoQ	FY21	FY22	YTD
Revenue	4,365.9	6,170.7	6,074.2	39.1%	-1.6%	17,356.2	24,161.1	39%
EBITDA	843.9	1,647.4	968.2	14.7%	-41.2%	3,679.7	4,585.0	25%
Depreciation & Amortisation	(443.6)	(416.1)	(468.5)	5.6%	12.6%	(1,881.8)	(1,845.6)	-2%
EBIT	**400.3**	**1,231.3**	**499.7**	**24.8%**	**-59.4%**	**1,797.9**	**2,739.5**	**52%**
Finance cost	(391.4)	(397.0)	(424.6)	8.5%	6.9%	(1,555.3)	(1,586.7)	2%
Associates	101.2	83.3	98.6	-2.5%	18.4%	395.9	405.9	3%
PBT	**110.2**	**917.6**	**173.8**	**57.8%**	**-81.1%**	**638.5**	**1,558.7**	**144%**
Tax	(665.3)	(88.9)	(70.0)	-89.5%	-21.3%	(966.0)	(385.0)	-60%
PAT	(555.1)	828.7	103.7	118.7%	-87.5%	(327.5)	1,173.7	458%
Minority Interest	(146.6)	414.1	95.1	164.9%	-77.0%	41.2	643.1	1461%
Net profit	(408.5)	414.6	8.7	102.1%	-97.9%	(368.7)	530.5	244%
Core net profit	**(105.8)**	**(123.0)**	**8.7**	**108.2%**	**107.1%**	**(66.0)**	**69.1**	**205%**
Reported EPS (sen)	(3.71)	3.77	0.08	-102.1%	-97.9%	(3.35)	4.82	-244%
GDPS (sen)	2.50	0.00	3.00	20.0%	NA	2.50	3.00	20%
EBIT margin	9.2%	20.0%	8.2%			10.4%	11.3%	
Pretax margin	2.5%	14.9%	2.9%			3.7%	6.5%	
Tax rate	603.9%	9.7%	40.3%			151.3%	24.7%	
Net profit margin	-2.4%	-2.0%	0.1%			-2.1%	2.2%	

Source: Company, MIDFR

YTL CORPORATION: 4QFY22 RESULT BREAKDOWN

Segmental Breakdown	4Q21	3Q22	4Q22	YoY	QoQ	FY21	FY22	YTD
Revenue (RMm):								
Construction	165.2	228.5	261.7	58.5%	14.5%	1,514.5	1,136.2	-25%
Cement manufacturing	846.5	1,046.7	1,059.6	25.2%	1.2%	4,093.7	3,891.0	-5%
Property investment & development	213.8	51.7	63.2	-70.4%	22.3%	431.6	638.7	48%
Management services & others	65.8	95.4	42.9	-34.8%	-55.0%	303.7	310.9	2%
Hotels	118.8	160.8	221.2	86.3%	37.6%	435.2	696.1	60%
Utilities	2,955.3	4,587.5	4,425.5	49.7%	-3.5%	10,574.3	17,488.2	65%
PBT (RMm):								
Construction	53.2	8.0	9.4	-82.3%	17.9%	228.1	61.4	-73%
Cement manufacturing	261.3	52.6	115.5	-55.8%	119.8%	562.6	263.7	-53%
Property investment & development	(238.8)	(39.0)	(43.7)	81.7%	-11.9%	(364.5)	203.8	-156%
Management services & others	(81.5)	256.8	(69.0)	15.4%	-126.9%	(252.8)	505.8	300%
Hotels	0.6	(32.4)	(4.6)	-813.3%	85.8%	(148.1)	(81.7)	45%
Utilities	115.6	134.1	166.0	43.6%	23.9%	615.3	605.7	-2%
PBT margin								
Construction	32.2%	3.5%	3.6%			15.1%	5.4%	
Cement manufacturing	30.9%	5.0%	10.9%			13.7%	6.8%	
Property investment & development	-111.7%	-75.5%	-69.1%			-84.4%	31.9%	
Management services & others	-123.8%	269.3%	-160.8%			-83.2%	162.7%	
Hotels	0.5%	-20.1%	-2.1%			-34.0%	-11.7%	
Utilities	3.9%	2.9%	3.8%			5.8%	3.5%	

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

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