

YTL Corporation Berhad

(4677 | YTL MK) Main | Utilities

A Strong Start

KEY INVESTMENT HIGHLIGHTS

- **1QFY24 result outperformed expectations**
- **Strong +495%yoy PBT growth driven by the utilities and cement divisions**
- **FY24F/25F net profit revised up +49%/+48%**
- **Upgrade to BUY at higher TP of RM1.78**

A strong start. YTL Corp (YTL) reported a net profit of RM521.7m for its 4QFY23 (+1325%yoy), which well outperformed expectations accounting for 42.8%/40.8% of our/consensus full year expectations. The outperformance came from the utilities division, predominantly driven by Seraya, as well as the stronger than expected performance of YTL's cement unit.

Key takeaways. Group 1QFY24 PBT grew +495%yoy mainly driven by the utilities and cement divisions. The former saw PBT grow +300%yoy to RM930.8m as Seraya's margins expanded from favourable retail contract renewals riding on a recovery in rates and cheap long-term gas contracts, though this was partly offset by losses at Wessex Water given non-cash interest accruals on index linked bonds. YTL's cement division also performed strongly registering PBT growth of +327%yoy driven by higher volume (+18%yoy), higher selling price (+30%yoy) for both domestic cement and ready mixed concrete and lower coal price which moderated the impact of higher energy costs. Meanwhile, YTL hotels have returned to pre-pandemic earnings levels (1QFY24 PBT: +57.9%yoy) driven by market share gain, higher occupancy, and higher room rates across all hotel assets.

Earnings estimates. Given the strong outperformance, we raised FY24F/25F net profit by +49.3%/+47.5% to reflect our revised earnings for YTL Power and higher ASP/volume/margin assumptions for YTL's cement division.

Recommendation. We raise our SOP-derived **TP** to **RM1.78** (from RM1.39 previously) to reflect upward revisions to our TPs for YTL Power (RM2.99 from RM2.45 previously) and MCement (RM4.91 from RM4.50 previously). We also remove our SOP discount as we believe YTL's valuation is likely to re-rate in tandem with its potential entry into the FBM KLCI. Given a more attractive +25% potential return at our revised TP, we upgraded YTL to **BUY** from NEUTRAL previously.

Upgrade to BUY

(Previously NEUTRAL)

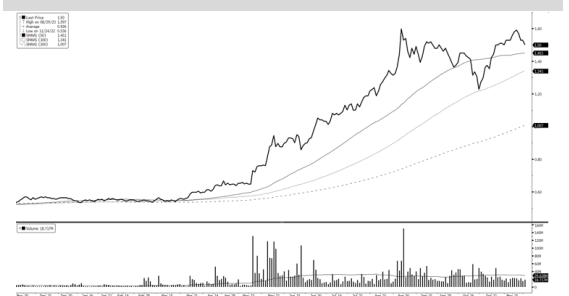
Revised Target Price: RM1.78

(Previously RM1.39)

RETURN STATISTICS

Price @ 23 rd Nov. 2023 (RM)	1.50
Expected share price return (%)	+18.9
Expected dividend yield (%)	6.3
Expected total return (%)	+25.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	14.5	13.1
3 months	-1.3	9.6
12 months	172.7	181.8

INVESTMENT STATISTICS

FYE Jun (RMm)	2023A	2024F	2025F
Revenue	29,508.2	33,841.5	34,555.5
Operating Profit	4,571.8	6,045.1	6,271.3
Profit Before Tax	2,667.6	4,723.4	4,881.5
Core PATAMI	1,028.7	1,818.5	1,879.4
Core EPS (sen/share)	9.8	17.3	17.8
PER (x)	15.4	8.7	8.4
DPS (sen/share)	4.0	9.5	9.8
Dividend Yield (%)	2.7	6.3	6.5

KEY STATISTICS

FBM KLCI	1,453.29
Issue shares (m)	10964.09
Estimated free float (%)	29.92
Market Capitalisation (RM'm)	16,446.58
52-wk price range	RM0.54-RM1.71
3-mth average daily volume (m)	30.02
3-mth average daily value (RM'm)	44.45
Top Shareholders (%)	
Yeoh Tiong Lay & Sons Holdings	50.20
Credit Suisse Group AG	9.24
Employees Provident Fund Board	5.00

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Table 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%	2.99	21,032.8	MIDF TP	11,687.9	1.06
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%	1.03	1,744.8	Market price	959.7	0.09
Starhill Global REIT	37%	0.49*	3,745.1**	Market price	1,403.7	0.13
Malayan Cement	76%	4.91	6,015.7	MIDF TP	4,542.3	0.41
Unlisted Units:						
ERL concession	45%			Equity NPV	383	0.03
Construction	100%			12xPE	1,035	0.09
Gross Value					21,021	1.91
<i>less: holding co net debt</i>					<i>-1,391</i>	<i>-0.13</i>
Total SOP Value					19,629	1.78

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

Table 2: YTL 1QFY24 Result Summary

FYE Jun (RMm)	1Q23	4Q23	1Q24	YoY	QoQ
Revenue	6,488.7	9,097.9	7,521.0	15.9%	-17.3%
EBITDA	1,164.6	2,566.6	2,429.9	108.6%	-5.3%
Depreciation & Amortisation	(465.5)	(556.6)	(524.7)	12.7%	-5.7%
Operating profit	571.9	1,935.0	1,793.1	213.5%	-7.3%
Finance cost	(495.2)	(648.8)	(691.0)	39.5%	6.5%
Associates	127.3	75.0	112.2	-11.9%	49.5%
PBT	204.0	1,361.3	1,214.3	495.3%	-10.8%
Tax	(80.4)	(289.4)	(274.1)	241.1%	-5.3%
PAT	123.6	1,071.9	940.2	660.5%	-12.3%
Minority Interest	87.0	590.9	418.4	380.9%	-29.2%
Net profit	36.6	481.0	521.7	1324.7%	8.5%
Core net profit	36.6	481.0	521.7	1324.7%	8.5%
EPS (sen)	0.33	4.37	4.74	1324.7%	8.5%
GDPS (sen)	0.00	4.00	0.00		
EBIT margin	8.8%	21.3%	23.8%		
Pretax margin	3.1%	15.0%	16.1%		
Tax rate	39.4%	21.3%	22.6%		
Net profit margin	0.6%	5.3%	6.9%		

Table 3: YTL 1QFY24 Segmental Breakdown

Segmental Breakdown	1Q23	4Q23	1Q24	YoY	QoQ
Revenue (RMm):					
Construction	274.8	332.8	156.1	-43.2%	-53.1%
Cement manufacturing	1,120.5	1,284.6	1,412.5	26.1%	10.0%
Property investment & development	82.3	101.4	139.5	69.4%	37.5%
Management services & others	101.2	406.5	258.7	155.5%	-36.4%
Hotels	288.4	306.9	363.2	25.9%	18.3%
Utilities	4,621.4	6,665.7	5,191.1	12.3%	-22.1%
PBT (RMm):					
Construction	3.6	4.7	1.1	-70.0%	-76.6%
Cement manufacturing	38.2	171.8	163.0	326.9%	-5.1%
Property investment & development	(13.5)	(21.5)	55.6	510.8%	358.7%
Management services & others	(86.6)	166.2	16.8	119.4%	-89.9%
Hotels	29.7	42.2	46.9	57.9%	11.0%
Utilities	232.6	997.9	930.8	300.1%	-6.7%
PBT margin					
Construction	1.3%	1.4%	0.7%		
Cement manufacturing	3.4%	13.4%	11.5%		
Property investment & development	-16.4%	-21.2%	39.9%		
Management services & others	-85.6%	40.9%	6.5%		
Hotels	10.3%	13.8%	12.9%		
Utilities	5.0%	15.0%	17.9%		

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RMm)	2021	2022	2023	2024F	2025F
Revenue	17,270.4	24,161.1	29,508.2	33,841.5	34,555.5
Operating profit	1,791.3	2,739.5	4,571.8	6,045.1	6,271.3
Net finance cost	(1,555.0)	(1,586.7)	(2,324.9)	(1,741.7)	(1,818.3)
Associates	395.5	405.9	420.7	420.0	428.4
Pretax profit	631.8	1,558.7	2,667.6	4,723.4	4,881.5
Taxation	(959.2)	(385.0)	(616.1)	(1,086.4)	(1,122.7)
Minority Interest	(40.3)	(643.1)	(1,022.9)	(1,818.5)	(1,879.4)
Net profit	(367.7)	530.5	1,028.7	1,818.5	1,879.4
Core net profit	(65.0)	69.1	1,028.7	1,818.5	1,879.4
Balance Sheet (RM m)	2021	2022	2023	2024F	2025F
Property, plant and equipment	32,120	31,943	32,194	32,903	33,572
Associates	4,405	3,704	3,704	3,704	3,704
Intangible assets	8,500	8,990	6,990	6,990	6,990
Others	6,901	7,614	14,154	14,154	14,154
Total non-current assets	51,926	52,251	57,042	57,751	58,419
Inventories	1,137	1,249	1,285	4,636	4,734
Receivables	3,924	4,728	5,957	7,788	8,047
Cash & near cash	13,679	11,399	14,435	11,208	12,214
Others	3,197	2,715	2,689	2,689	2,689
Total current assets	21,937	20,091	24,366	26,321	27,684
Payables	3,696	4,525	5,530	6,138	6,244
Borrowings	9,664	6,911	6,911	6,911	6,911
Other current liabilities	1,723	1,497	2,419	2,419	2,419
Total current liabilities	15,082	12,933	14,860	15,469	15,574
Borrowings	35,411	35,345	32,908	34,146	35,226
Others	7,033	6,546	13,777	13,777	13,777
Total long term liabilities	42,443	41,891	46,685	47,922	49,003
Share capital	3,468	3,468	3,468	3,468	3,468
Share premium	-	-	-	-	-
Other Reserves	892	993	1,569	1,569	1,569
Retained profit	8,483	8,532	9,230	10,048	10,894
Treasury	(54)	(54)	(54)	(54)	(54)
Shareholder funds	12,788	12,939	14,212	15,030	15,876
Minority interest	3,549	4,581	5,650	5,650	5,650
Shareholders' equity	16,338	17,519	19,862	20,680	21,526

Cashflow Statement (RM'm)	2021	2022	2023	2024F	2025F
Pretax profit	631.8	1,548.9	2,455.5	4,723.4	4,881.5
Non-cash adjustment	2,814.5	1,965.5	1,835.4	1,849.8	1,890.5
Net change in WC	979.1	(86.9)	(259.6)	(4,573.8)	(251.1)
Others	(1,415.0)	(1,883.4)	933.6	(2,904.9)	(3,002.1)
Operating cash flow	3,010.3	1,544.2	4,964.9	(905.5)	3,518.8
Capex	(1,910.8)	(1,906.3)	(2,086.0)	(2,559.1)	(2,559.1)
Others	801.4	999.0	(1,168.1)	0.0	0.0
Investing cash flow	(1,109.5)	(907.3)	(3,254.1)	(2,559.1)	(2,559.1)
Dividends paid	(426.8)	0.0	(274.1)	(520.0)	(1,000.2)
Proceeds from borrowings	3,549.4	6,411.5	2,716.1	3,332.1	3,332.2
Repayment of borrowings	(2,901.7)	(8,407.4)	(5,328.6)	(2,272.4)	(2,431.4)
Others	78.0	(1,021.3)	3,362.4	(302.6)	145.9
Financing cash flow	298.9	(3,017.2)	475.8	237.1	46.5
Net change in cash	2,199.7	(2,380.4)	2,186.6	(3,227.5)	1,006.2
Adjustments for forex & bank overdraft	352.8	126.3	952.1	276.5	276.5
B/f cash balance	11,100.1	13,678.6	11,296.7	14,158.9	10,931.4
Ending cash balance	13,678.6	11,398.6	14,435.4	11,207.9	12,214.1
Key Ratios	2021	2022	2023	2024F	2025F
Operating profit margin	10.4%	11.3%	15.5%	17.9%	18.1%
Pretax margin	3.7%	6.5%	9.0%	14.0%	14.1%
ROE (%)	-0.5%	0.5%	7.2%	12.1%	11.8%
ROA (%)	-0.1%	0.1%	1.3%	2.2%	2.2%
Net gearing	246%	238%	179%	199%	188%
BV per share (RM)	1.21	1.23	1.35	1.43	1.51
PBV (x)	1.12	1.11	1.01	1.05	1.00
PER (x)	-220.5	207.3	13.9	8.7	8.4

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 <i>rise</i> 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 <i>fall</i> 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