Ranhill Utilities Berhad

(5272 | RANH MK) Main | Utilities

4 Stars | SHARIAH Compliant | FTSE4Good

Maintain **SELL**

Revised Target Price **RM1.12** (from RM1.07)

Corporate Update

Slightly below Estimates

Maintain SELL. We maintain our SELL call and revise our SOP-derived TP slightly higher to RM1.12 after making some housekeeping adjustments in our valuation. While the entry of a strong controlling shareholder in YTL Power is one that could yield synergistic benefits due to its expertise in the water sector, we view that the strong run-up in Ranhill's share price since Apr-24 values it at a stretched 26.3x FY26F PER as compared to a historical mean of 20x and a compressed dividend yield of only 2.6%. We expect Ranhill SAJ to continue contributing strongly to the group's earnings moving forward, attributable due to the growth of data centres in Johor and the upcoming economic growth prospects from the Johor-Singapore SEZ and Special Financial Zone. We understand that the group is working closely with YTL Power and the state government in identifying new water resources and in restructuring the tariffs.

Below expectations. Ranhill posted a core net profit of RM10.6m in 4QFY25, which brought its cumulative bottom line to RM49.6m, a decline of -7.7%yoy, dragged by higher amortisation on water services concessions assets and a cost overrun at Ranhill Worley Sdn Bhd, relating to the P82 FPSO project for Petrobras. The core earnings for the four quarters missed expectations slightly, at 90.2% of ours and 83.1% of consensus.

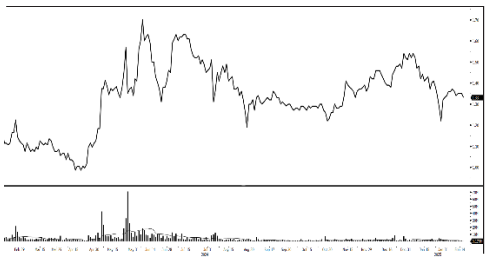
Key takeaways. Group revenue inched lower by -0.2% to RM2.27b in 12MFY25, attributable to stronger recognition of water revenue by RanhillSAJ on the back of the higher consumption and the domestic water tariff hike in Feb-24. Despite that, the water segment PAT declined -18.0%yoy during the period due to higher amortisation on services concession assets, being the first year of operating period 6 (OP6). Meanwhile, the group's power segment rebounded into the black at RM6.5m as compared to a net loss of -RM14.0m in the same period last year, attributable to higher energy payment fuel revenue in Ranhill Sabah Energy II Sdn Bhd, on top of lower maintenance cost.

Change in FYE. The group's financial year end to be changed from 31st December to 30th June, in order for it to be coterminous with the holding company YTL Power International. The next set of financial statements will be made up to a period of 18 months from Jan-24 to Jun-25.

Earnings revision. Our earnings estimates were broadly maintained but we have made adjustments to reflect the 18-month period for FY25 as the group changes its FYE to 30th June from 31st December previously.

RETURN STATISTICS	
Price @ 18th Feb 2025 (RM)	1.33
Expected share price return (%)	-15.8
Expected dividend yield (%)	+2.6
Expected total return (%)	-13.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-7.0	-8.1
3months	-12.5	-2.6
12 months	15.2	11.9

INVESTMENT STATISTICS

FYE June	2023A	2025F	2026F
Revenue	2,280	3,543	2,428
Operating Profit	142.5	264.5	184.6
Profit Before Tax	147.9	221.6	169.3
Core PATAMI	32.4	85.7	65.5
Core EPS	2.5	6.6	5.1
DPS	3.5	3.8	4.3
Dividend Yield	2.6%	2.9%	3.2%

KEY STATISTICS	
FBM KLCI	1,584.84
Issued shares (m)	1,288.64
Estimated free float (%)	
Market Capitalisation (RM'm)	1,723.61
52-wk price range	RM0.97 - RM1.75
3-mth average daily volume (m)	1.62
3-mth average daily value (RM'm)	2.31
Top Shareholders (%)	
SIPP POWER SDN BHD	34.32
YTL Power International Bhd	18.87
United Overseas Bank Ltd	9.09

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Ranhill Sum-Of-The-Parts (SOTP) Valuation

Concessions	Valuation method	Value (RMm)	Stake	Shares out	RM/share
RP 1	DCF	40.3	60.0%	1,295.9	0.02
RP 2	DCF	142.7	80.0%	1,295.9	0.09
RS 1	DCF	230.6	100.0%	1,295.9	0.18
Water (SAJ)	DCF	1,355.5	80.0%	1,295.9	0.84
NRW	EV/EBITDA	79.0	100.0%	1,295.9	0.06
Associates	PER	191.2		1,295.9	0.15
RBSB & RWSB	EV/EBITDA	397.7		1,295.9	0.31
Gross value		**2,039.1**			**1.64**
	Group net cash/(debt)	(676.3)		1,295.9	-0.52
Net value		**1,362.8**		**1,295.9**	**1.12**

Source: Company, MIDFR

RANHILL: 4QFY24 RESULT SUMMARY

FYE Dec (RMm)	4Q23	3Q25	4Q25	QoQ	YoY	12M23	12M25	YTD
Revenue	**556.7**	**628.2**	**522.4**	**-16.8%**	**-6.2%**	**2,279.8**	**2,274.4**	**-0.2%**
EBITDA	157.7	168.2	162.5	-3.4%	3.0%	570.5	657.4	15.2%
Depreciation & amortisation	(107.6)	(127.0)	(123.0)	-3.2%	14.3%	(410.3)	(489.0)	19.2%
Operating profit	**45.6**	**35.4**	**35.0**	**-1.3%**	**-23.3%**	**142.5**	**147.5**	**3.5%**
Net finance cost	(3.5)	(11.1)	(10.5)	-5.0%	198.9%	(12.4)	(47.9)	287.2%
Zakat	0.0	0.0	0.0	NA	NA			NA
Associates	4.6	5.8	4.6	-20.7%	0.1%	17.7	20.9	18.0%
Pretax	**46.6**	**30.1**	**29.0**	**-3.6%**	**-37.7%**	**147.8**	**120.5**	**-18.5%**
Tax	(12.8)	(1.6)	(16.5)	901.0%	28.4%	(50.2)	(45.3)	-9.8%
PAT	**33.8**	**28.5**	**12.6**	**-55.8%**	**-62.8%**	**97.6**	**75.2**	**-23.0%**
MI	14.4	12.2	(5.2)	-142.9%	-136.4%	44.8	24.2	-46.0%
Net profit	19.4	16.3	17.8	9.3%	-8.3%	52.8	51.0	-3.5%
Core net profit	**27.3**	**23.6**	**10.6**	**-55.3%**	**-61.3%**	**53.8**	**49.6**	**-7.7%**
Core EPS (sen)	2.11	1.82	0.81	-55.3%	-61.3%	4.15	3.83	-7.7%
DPS (sen)	0.00	0.00	0.00			3.50	0.25	
EBITDA margin	28.3%	26.8%	31.1%			25.0%	28.9%	
Operating profit margin	8.2%	5.6%	6.7%			6.3%	6.5%	
Pretax margin	8.4%	4.8%	5.6%			6.5%	5.3%	
Effective tax rate	27.5%	5.5%	56.7%			34.0%	37.6%	
Core net profit margin	4.9%	3.8%	2.0%			2.4%	2.2%	
Dividend payout ratio	0.0%	0.0%	0.0%			84.4%	6.5%	
MI rate	42.5%	42.8%	-41.6%			45.9%	32.2%	

Source: Company, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2021A	2022A	2023A	2025F	2026F
Revenue	1,531.1	1,726.3	2,280.8	3,543.3	2,428.4
Operating profit	163.8	200.6	142.5	264.5	184.6
PBT	93.7	203.4	147.9	221.6	169.3
Taxation	-27.6	-61.2	-43.9	-65.8	-50.3
PAT	30.6	95.3	57.9	85.7	65.5
MI	35.5	47.0	46.1	70.1	53.6
PATAMI	30.6	95.3	57.9	85.7	65.5
Core PATAMI	32.1	20.8	32.4	85.7	65.5
EPS (sen)	2.5	1.6	2.5	6.6	5.1
PER (x)	53.7	82.9	53.1	20.1	26.3
DPS (sen)	0.7	2.5	3.5	3.8	4.3
Dividend yield (%)	0.5	1.9	2.6	2.6	2.8

Cash Flow (RM'm)	2021A	2022A	2023A	2025F	2026F
PBT	93.7	203.4	83.8	221.6	169.3
Depreciation	380.0	387.1	410.6	407.4	404.4
Change in NWC	16.6	-118.1	104.8	-6.6	-2.8
Operating cash flow	234.0	130.0	228.8	136.9	150.7
Capital expenditure	-38.7	-49.4	-38.7	-30.0	-30.0
Investing cash flow	0.6	-89.8	-62.6	-30.0	-30.0
Debt raised/(repaid)	-114.9	89.5	-137.9	-96.4	-94.4
Dividends paid	-25.3	-19.8	-27.7	-49.1	-55.6
Financing cash flow	-154.1	3.0	-292.4	-145.5	-150.0
Net cash flow	80.5	43.2	-126.3	-38.6	-29.4
Beginning cash flow	118.9	201.9	245.4	159.8	121.2
Ending cash flow	339.8	388.9	279.0	284.0	254.6

Balance Sheet (RM'm)	2021A	2022A	2023A	2025F	2026F
PPE	246.4	250.6	314.6	352.3	333.0
ROU assets	1,796.8	1,470.3	1,273.0	1,473.0	1,173.0
Non-current assets	2,251.8	1,926.6	1,824.0	2,101.5	1,804.5
Trade receivables	341.5	552.0	506.8	533.3	546.1
Cash & bank balances	339.8	388.9	279.1	284.0	254.6
Current assets	1,055.4	1,357.8	1,155.6	1,189.1	1,175.6
Long-term debt	893.4	931.6	843.2	804.0	709.6
Non-current liabilities	1,563.9	1,293.8	1,203.3	1,364.1	969.7
Short-term debt	150.5	205.7	156.3	156.3	156.3
Trade payables	337.7	459.7	516.4	543.5	556.6
Current liabilities	875.3	1,033.5	765.4	792.4	805.5
Share capital	1,439.0	1,439.0	1,439.6	1,439.6	1,439.6
Reserves	-750.1	-671.7	-658.5	-630.7	-616.8
Equity	868.0	957.1	1,011.0	1,134.0	1,204.9

Profitability Ratios (%)	2021A	2022A	2023A	2025F	2026F
Operating profit margin	10.7	11.6	6.2	7.3	7.5
PBT margin	6.1	11.8	6.5	6.6	6.3
PATAMI margin	2.0	5.5	2.5	2.6	2.4
Core PATAMI margin	2.1	1.2	1.4	2.6	2.4
ROA	1.0	0.6	1.1	1.9	2.6
ROE	3.7	2.2	3.2	5.4	7.6

Source: Bloomberg, 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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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