Corporate Update

Ranhill Utilities Berhad

(5272 | RANH MK) Main | Utilities

4 Stars | SHARIAH Compliant | FTSE4Good

Maintain **SELL**

Revised Target Price **RM1.02** (from RM1.12)

5QFY25 Results Review Dragged by Cost Overrun

Maintain SELL. We maintain our **SELL** call and revise our SOP-derived **TP** lower to **RM1.02** after trimming our earnings estimates due to the cost overrun at RWSB. 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 24.2x FY26F PER as compared to a historical mean of 20x and a compressed dividend yield of only 3.1%. 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.

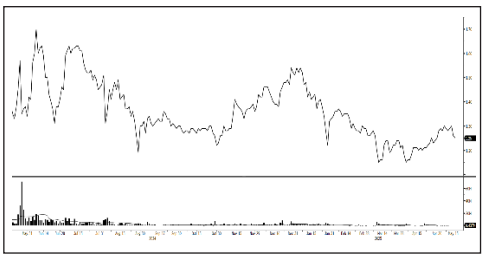
Below expectations. Ranhill posted a core net profit of RM8.3m (-19.4%yoy) in 5QFY25, which brought its 15-month cumulative bottom line to RM58.2m. This missed our estimates, accounting for 67.9% of our 18-month projections for FY25 but within consensus estimates at 85.6%. There is no comparison for the cumulative period due to the change in the group's financial year end from 31st December to 30th June, in order for it to be coterminous with the holding company YTL Power International.

Key takeaways. The group's revenue for the quarter came in lower by -1.8%qoq to RM513.1m while core earnings declined -20.9%qoq to RM8.3m, dragged by the consultancy and services division., which incurred a loss of -RM7.9m due to cost overrun at Ranhill Worley Sdn Bhd (RWSB) in relation to its P82 and Kasawari projects. The group also incurred a corporate sukuk expense of RM7.0m. Water revenue grew +4.3%qoq to RM335.5m but its PAT declined -22.0%qoq to RM18.1m due to higher amortisation on services concession assets, being the first year of operating period 6 (OP6). Meanwhile, the group's power segment slipped into the red at -RM3.1m as compared to a PAT of RM3.3m in 4QFY25, likely due to higher maintenance cost.

Earnings revision. We slash our FY25E earnings estimates by -13.0% to RM74.6m and our FY26F estimates slightly by -1.1% to RM64.8m due to the cost overrun by RWSB.

RETURN STATISTICS	
Price @ 19th May 2025 (RM)	1.21
Expected share price return (%)	-15.7
Expected dividend yield (%)	+3.1
Expected total return (%)	-12.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.2	-0.6
3 months	0.8	-5.5
12 months	-9.6	-7.0

INVESTMENT STATISTICS

FYE June	2023A	2025F	2026F
Revenue	2,280	3,543	2,428
Operating Profit	142.5	236.8	184.6
Profit Before Tax	147.9	193.0	169.3
Core PATAMI	32.4	74.6	65.5
Core EPS	2.5	5.8	5.1
DPS	3.5	3.8	4.3
Dividend Yield	2.6%	3.1%	3.5%

KEY STATISTICS	
FBM KLCI	1,556.14
Issued shares (m)	1288.64
Estimated free float (%)	21.94
Market Capitalisation (RM'm)	1,619.94
52-wk price range	RM1.08 - RM1.75
3-mth average daily volume (m)	0.71
3-mth average daily value (RM'm)	0.85
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	282.2		1,295.9	0.22
Gross value		**2,039.1**			**1.55**
	Group net cash/(debt)	(687.8)		1,295.9	-0.53
Net value		**1,351.3**		**1,295.9**	**1.02**

Source: Company, MIDFR

RANHILL: 5QFY25 RESULT SUMMARY

FYE Dec (RMm)	1Q25	4Q25	5Q25	QoQ	YoY	15M25
Revenue	**562.4**	**522.4**	**513.1**	**-1.8%**	**-8.8%**	**2,787.6**
EBITDA	154.4	162.5	144.1	-11.3%	-6.7%	801.5
Depreciation & amortisation	(108.2)	(123.0)	(127.7)	3.9%	18.1%	(616.7)
Operating profit	**41.2**	**35.0**	**10.6**	**-69.6%**	**-74.2%**	**158.1**
Net finance cost	(11.0)	(10.5)	(9.3)	-11.8%	-15.6%	(57.2)
Zakat	0.0	0.0	0.0	NA	NA	
Associates	5.1	4.6	5.8	26.5%	13.3%	26.7
Pretax	**35.3**	**29.0**	**7.1**	**-75.4%**	**-79.8%**	**127.6**
Tax	(11.1)	(16.5)	(5.9)	-64.5%	-47.3%	(45.3)
PAT	**24.2**	**12.6**	**1.3**	**-89.7%**	**-94.7%**	**82.3**
MI	13.9	(5.2)	(5.7)	7.9%	-140.8%	24.2
Net profit	10.3	17.8	6.9	-61.0%	-32.9%	58.1
Core net profit	**10.3**	**10.6**	**8.3**	**-20.9%**	**-19.4%**	**58.2**
Core EPS (sen)	0.80	0.81	0.64	-20.9%	-19.4%	4.49
DPS (sen)	0.00	0.00	0.00			0.25
EBITDA margin	27.5%	31.1%	28.1%			28.8%
Operating profit margin	7.3%	6.7%	2.1%			5.7%
Pretax margin	6.3%	5.6%	1.4%			4.6%
Effective tax rate	31.4%	56.7%	81.9%			35.5%
Core net profit margin	1.8%	2.0%	1.6%			2.1%
Dividend payout ratio	0.0%	0.0%	0.0%			5.6%
MI rate	57.3%	-41.6%	-437.0%			29.4%

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	193.0	167.5
Taxation	-27.6	-61.2	-43.9	-57.3	-49.7
PAT	30.6	95.3	57.9	74.6	64.8
MI	35.5	47.0	46.1	61.1	53.0
PATAMI	30.6	95.3	57.9	74.6	64.8
Core PATAMI	32.1	20.8	32.4	74.6	64.8
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	147.9	193.0	167.5
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	6.7	7.6
PBT margin	6.1	11.8	6.5	5.4	7.0
PATAMI margin	2.0	5.5	2.5	2.1	2.7
Core PATAMI margin	2.1	1.2	1.4	2.1	2.7
ROA	1.0	0.6	1.1	2.3	2.2
ROE	3.7	2.2	3.2	6.6	5.4

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