Corporate Update

Ranhill Utilities Berhad

(5272 | RANH MK) Main | Utilities

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Upgrade to BUY (from NEUTRAL)

Revised Target Price **RM2.29** (from RM1.91)

2QFY26 Results Review Benefitting from Stronger Tariffs

Upgrade to BUY. We upgrade our call on Ranhill Utilities from NEUTRAL to BUY with a higher sum-of-the-parts derived **TP** of **RM2.29** after upgrading our earnings estimates following a stronger performance from Ranhill SAJ, benefitting from the recent tariff revision. 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. As for the power segment, Ranhill is exploring opportunities in the Corporate Renewable Energy Supply Scheme (CRESS) and also submitted a bid to the Energy Commission for the development of a 100MW/400MWh battery energy storage system (BESS) in Jul-25.

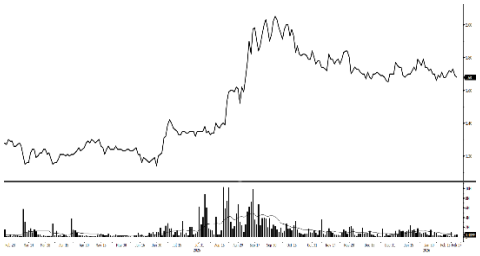
Above expectations. Ranhill posted a core net profit of RM52.2m in 2QFY26, contributed mainly by Ranhil SAJ. Sequentially, the core net profit grew +72.9%qoq. While there is no comparable quarter in the last FY due to the recent change in financial year end from Dec to Jun, the comparison with 4QFY25 ending Dec-24 showed a 5.0x growth in bottom line year-on-year. The cumulative 6MFY26 resulted in a core net profit of RM82.4m, coming in above our and consensus expectations at 84.9% and 62.9% respectively.

Key takeaways. The group's revenue came in higher by +7.3%qoq to RM632.1m, mainly from the water division under Ranhill SAJ. The segment's PBT margin improved t0 12.6% from 10.5% last quarter, on the back of the recent water tariff adjustment. There was also an improvement in the power segment, with a tripling of PBT to RM6.5m during the quarter, comprising mainly of capacity and energy payment revenues from Ranhill Sabah Energy 1 (RM32.5m) and Ranhill Sabah Energy II (RM33.8m). Meanwhile, the consultancy and services division recorded a lower PBT of RM1.8m (-73.1%yoy), contributed mainly by Ranhill Technologies (RM6.0m).

Earnings revision. We are revising our earnings estimates for FY26E/FY27F higher by +39.2%/+16.4% on the back of a stronger performance by Ranhill SAJ, backed by the recent tariff adjustment starting Aug-25, that was gazetted by the Cabinet, stronger water demand and margins. While domestic users are largely unaffected, the largest increase was for the non-domestic consumer segment while data centres will be charged a specific rate. Refer to Table 1 for more details.

RETURN STATISTICS	
Price @ 25th Feb 2026 (RM)	1.68
Expected share price return (%)	+36.3
Expected dividend yield (%)	+0.6
Expected total return (%)	+36.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.1	-6.6
3months	-1.2	-15.3
12 months	31.3	17.7

INVESTMENT STATISTICS

FYE Jun	2025A	2026F	2027F
Revenue	3,292.5	2,868	2,923
Operating Profit	183.2	362.3	376.9
Profit Before Tax	148.8	349.3	378.0
Core PATAMI	76.3	135.0	146.2
Core EPS	5.9	10.4	11.3
DPS	0.25	1.0	1.0
Dividend Yield	0.2%	0.6%	0.6%

KEY STATISTICS	
FBM KLCI	1,747.81
Issue shares (m)	1288.64
Estimated free float (%)	26.86
Market Capitalisation (RM'm)	2,177.19
52-wk price range	RM1.08 - RM2.06
3-mth average daily volume (m)	0.84
3-mth average daily value (RM'm)	1.46
Top Shareholders (%)	
SIPP Power Sdn Bhd	34.32
YTL Power International Bhd	18.87
United Overseas Bank Ltd	9.09

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Table 1: Latest Ranhill SAJ water tariff structure

		Previous Rate	*New Rate*	
Type of Use	**Utilisation**	**Rate per cubic metre (RM)**	**Rate per cubic metre (RM)**	**change (%)**
Domestic	0 m3 - 20 m3	1.05	1.05	0.0%
	21 m3 - 35 m3	2.35	2.35	0.0%
	> 35 m3	3.15	3.50	11.1%
Religious institutions/Welfare Approved	Average rate	1.65	1.65	0.0%
Domestic Bulk	Average rate	2.55	2.75	7.8%
Non-Domestic	0 m3 - 35 m3	3.15	4.15	31.7%
	> 35 m3	3.55	5.30	49.3%
Shipping	Average rate	7.05	8.03	13.9%
Data Centre	Average rate	-	5.33	-
Minimum Rate (Monthly)(RM)				
Domestic		10.50	10.50	0.0%
Religious institutions/Welfare Approved		16.50	16.50	0.0%
Domestic Bulk		25.50	27.50	7.8%
Non-Domestic		31.50	41.50	31.7%
Shipping		70.50	80.30	13.9%
Data Centre		-	53.30	-

Source: Ranhill SAJ, MBSBR

Sum-of-Parts Valuation

Concessions	**Valuation method**	**Value (RMm)**	**Stake**	**Shares out**	**RM/share**
RP 1	DCF	25.1	60.0%	1,295.9	0.01
RP 2	DCF	119.4	80.0%	1,295.9	0.07
RS 1	DCF	221.1	100.0%	1,295.9	0.17
Water (SAJ)	DCF	3,419.8	80.0%	1,295.9	2.11
NRW	EV/EBITDA	64.8	100.0%	1,295.9	0.05
Associates	PER	178.4		1,295.9	0.14
RBSB & RWSB	EV/EBITDA	208.3		1,295.9	0.16
Gross value		4,028.6			2.72
	Group net cash/(debt)	(556.0)		1,295.9	-0.43
Net value		3,472.6		**1,295.9**	2.29

RANHILL UTILITIES: 2QFY26 RESULT SUMMARY

FYE Jun (RMm)	4Q25	1Q26	2Q26	QoQ	YoY	3Q + 4Q of FY25	6M26	YTD
Revenue	**522.4**	**589.0**	**632.1**	**7.3%**	**21.0%**	**1,150.6**	**1,221.1**	**6.1%**
EBITDA	162.5	184.0	203.9	10.8%	25.5%	330.7	387.8	17.3%
Depreciation & amortisation	(123.0)	(125.9)	(133.5)	6.0%	8.6%	(250.0)	(259.4)	3.8%
Operating profit	**35.0**	**52.4**	**67.0**	**27.9%**	**91.6%**	**70.4**	**119.3**	**69.6%**
Net finance cost	(10.5)	(5.8)	(4.2)	-27.7%	-60.1%	(21.6)	(10.0)	-53.6%
Zakat	0.0	0.0	0.0			0.0	0.0	
Associates	4.6	5.7	3.4	-40.6%	-26.3%	10.4	9.1	-12.6%
Pretax	**29.0**	**52.2**	**66.2**	**26.7%**	**127.9%**	**59.2**	**118.4**	**100.1%**
Tax	(16.5)	(15.9)	(5.9)	-63.1%	-64.5%	(18.1)	(21.7)	19.9%
PAT	**12.6**	**36.4**	**60.3**	**65.8%**	**379.4%**	**41.1**	**96.7**	**135.4%**
MI	(5.2)	6.5	11.0	68.2%	-309.7%	7.0	17.5	151.7%
Net profit	17.8	29.9	49.3	65.3%	176.9%	34.1	79.2	132.1%
Core net profit	**10.6**	**30.2**	**52.2**	**72.9%**	**395.0%**	**34.1**	**82.4**	**141.4%**
Core EPS (sen)	0.81	2.33	4.03	72.9%	-19.4%	4.15	4.49	8.2%
DPS (sen)	0.00	0.00	0.00			3.50	0.25	
EBITDA margin	31.1%	31.2%	32.3%			28.7%	31.8%	
Operating profit margin	6.7%	8.9%	10.6%			6.1%	9.8%	
Pretax margin	5.6%	8.9%	10.5%			5.1%	9.7%	
Effective tax rate	56.7%	30.4%	8.8%			30.6%	18.3%	
Core net profit margin	2.0%	5.1%	8.3%			3.0%	6.8%	
Dividend payout ratio	0.0%	0.0%	0.0%			300.0%	400.0%	
MI rate	-41.6%	17.9%	18.2%			16.9%	18.1%	

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2025A	2026F	2027F
Revenue	1,726.3	2,280.8	3,292.5	2,867.5	2,923.2
Operating profit	200.6	142.5	183.2	362.3	376.9
PBT	203.4	147.9	148.8	349.3	378.0
Taxation	-61.2	-43.9	-55.6	-103.7	-112.3
PAT	95.3	57.9	75.7	135.0	146.2
MI	47.0	46.1	17.5	59.2	65.5
PATAMI	95.3	57.9	75.7	135.0	146.2
Core PATAMI	20.8	32.4	76.3	135.0	146.2
EPS (sen)	1.6	2.5	5.9	10.4	11.3
PER (x)	104.7	67.1	28.5	16.1	14.9
DPS (sen)	2.5	3.5	0.3	1.0	1.0
Dividend yield (%)	1.5	2.1	0.2	0.6	0.6

Cash Flow (RM'm)	2022A	2023A	2025A	2026F	2027F
PBT	203.4	147.9	148.8	349.3	378.0
Depreciation	387.1	410.6	834.6	404.4	401.9
Change in NWC	-118.1	104.8	-9.6	-12.5	-3.4
Operating cash flow	130.0	228.8	1,029.1	146.0	167.0
Capital expenditure	-49.4	-38.7	-81.9	-30.0	-30.0
Investing cash flow	-89.8	-62.6	-72.8	-30.0	-30.0
Debt raised/(repaid)	89.5	-137.9	-307.9	-94.4	-94.4
Dividends paid	-19.8	-27.7	-9.2	-36.2	-40.7
Financing cash flow	3.0	-292.4	-221.6	-130.6	-135.1
Net cash flow	43.2	-126.3	81.0	-14.6	1.9
Beginning cash flow	201.9	245.4	4.4	71.0	56.4
Ending cash flow	388.9	279.0	184.2	219.2	221.1

Balance Sheet (RM'm)	2022A	2023A	2025A	2026F	2027F
PPE	250.6	314.6	299.4	333.0	316.4
ROU assets	1,470.3	1,273.0	1,827.9	1,173.0	873.0
Non-current assets	1,926.6	1,824.0	2,373.0	1,804.5	1,511.9
Trade receivables	552.0	506.8	583.5	581.2	594.8
Cash & bank balances	388.9	279.1	256.4	219.2	221.1
Current assets	1,357.8	1,155.6	1,251.7	1,185.0	1,204.2
Long-term debt	931.6	843.2	609.9	709.6	615.2
Non-current liabilities	1,293.8	1,203.3	1,202.8	969.7	575.3
Short-term debt	205.7	156.3	178.5	156.3	156.3
Trade payables	459.7	516.4	700.2	592.3	606.1
Current liabilities	1,033.5	765.4	1,376.8	841.2	855.1

Profitability Ratios (%)	2022A	2023A	2025A	2026F	2027F
Operating profit margin	11.6	6.2	5.6	12.6	12.9
PBT margin	11.8	6.5	4.5	12.2	12.9
PATAMI margin	5.5	2.5	2.3	4.7	5.0
Core PATAMI margin	1.2	1.4	2.3	4.7	5.0
ROA	0.6	1.1	2.1	4.6	3.6
ROE	2.2	3.2	7.3	15.6	16.9

Source: Bloomberg, MBSBR

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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