

## YTL Corporation Berhad

(4677 | YTL MK) Main | Utilities

### Yet Another Beat


#### KEY INVESTMENT HIGHLIGHTS

- **FY23 result ahead of expectations**
- **Group 4QFY23 earnings up +178%yoy driven by the utilities and cement divisions mainly**
- **FY24F earnings revised up by +68%**
- **TP raised to RM1.39 but downgrade to NEUTRAL as positives seems largely priced in**

**Smashes estimates.** YTL Corp (YTL) reported a net profit of RM481m for its 4QFY23, bringing FY23 earnings to RM1.03b. This was ahead of expectations, accounting for 142%/186% of our/consensus estimates respectively mainly due to stronger than expected earnings at the utilities and cement divisions. An interim dividend of 4sen was announced representing 43% DPR for FY23.

**Key takeaways.** Group 4QFY23 earnings was up +178%yoy mainly driven by a +50%yoy jump in utilities earnings on the back of strong performance by Power Seraya, which is benefitting from higher retail and pool prices in the Singapore power market, though it was partly offset by losses at Wessex Water given cost inflation and non-cash interest accruals on index linked bonds. The cement division also performed strongly (+21%yoy) on the back of higher demand, while margins improved on the back of higher selling price and easing coal cost. Meanwhile, YTL's hotel division earnings continued to recover (+125%yoy) riding on easing of pandemic restrictions.

**Earnings estimates.** Given the strong outperformance, we raise FY4F earnings by +68% to reflect stronger earnings for Seraya mainly. We also factor in contribution from the group's 45%-owned Jordan power plant which commenced operations late-4QFY23. Additionally, we factor in higher margins for the cement division to reflect higher ASPs and margins. In addition, we introduce FY25F earnings at RM1.27b.

**Recommendation.** We raise our SOP-derived **TP** to **RM1.39** (from RM1.05 previously) to reflect upward revisions to our TPs for YTL Power (RM2.45 from RM1.54 previously) and MCement (RM4.50 from RM3.74 previously). However, given a strong share price rally in recent months, we believe the positives are largely reflected in YTL's share price already. As such, we now **downgrade YTL to NEUTRAL** from BUY. 

## Downgrade to NEUTRAL

(Previously BUY)

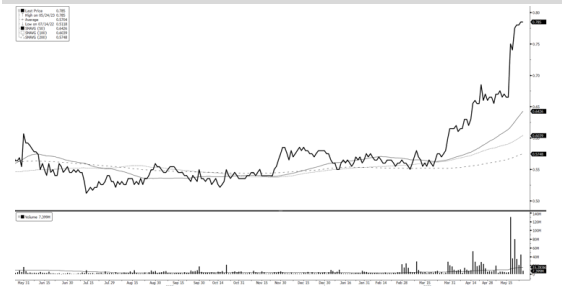
**Revised Target Price: RM1.39**

(Previously RM1.05)

#### RETURN STATISTICS

Price @ 24 <sup>th</sup> August 2023 (RM)	1.36
Expected share price return (%)	+2.5
Expected dividend yield (%)	4.7
Expected total return (%)	+7.2

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	13.9	15.7
3 months	26.8	44.7
12 months	31.1	43.5

#### INVESTMENT STATISTICS

FYE Jun (RMm)	2023A	2024F	2025F
Revenue	29,508.2	29,653.0	30,357.8
Operating Profit	4,571.8	4,205.5	4,412.9
Profit Before Tax	2,667.6	3,163.8	3,308.7
Core PATAMI	1,028.7	1,218.1	1,273.8
Core EPS (sen/share)	9.8	11.6	12.1
DPS (sen/share)	4.0	6.4	6.7
Dividend Yield (%)	2.9	4.7	4.9

#### KEY STATISTICS

FBM KLCI	1,444.67
Issue shares (m)	10,964.1
Estimated free float (%)	29.9
Market Capitalisation (RM'm)	14,911.18
52-wk price range	RM0.53-RM1.38
3-mth average daily volume (m)	15.7
3-mth average daily value (RM'm)	10.5
Top Shareholders (%)	
Yeoh Tiong Lay & Sons Holdings	50.2
Employees Provident Fund Board	5.0
Credit Suisse Group AG	4.6

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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)
<b>Listed Units:</b>						
YTL Power	56%	2.45	17,234.2	MIDF TP	9,577.1	0.87
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%	0.98	1,660.1	Market price	913.1	0.08
Starhill Global REIT	37%	0.48*	3,605.6**	Market price	1,351.4	0.12
Malayan Cement	76%	4.50	5,513.4	MIDF TP	4,163.0	0.38
<b>Unlisted Units:</b>						
ERL concession	45%			Equity NPV	383	0.03
Construction	100%			12xPE	1,035	0.09
<b>Gross Value</b>					<b>18,432</b>	<b>1.67</b>
<i>less: holding co net debt</i>					<i>-1,391</i>	<i>-0.13</i>
<b>Total SOP Value</b>					<b>17,040</b>	<b>1.55</b>
10% conglo discount						<b>1.39</b>

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

**Table 2: YTL 4QFY23 Result Summary**

FYE Jun (RMm)	4Q22	3Q23	4Q23	YoY	QoQ	FY22	FY23	YTD
Revenue	6,154.6	7,329.0	9,097.9	47.8%	24.1%	24,241.5	29,508.2	22%
EBITDA	1,191.6	1,824.8	2,566.6	115.4%	40.7%	4,808.4	6,881.3	43%
Depreciation & Amortisation	(468.5)	(389.9)	(556.6)	18.8%	42.7%	(1,845.6)	(1,888.7)	2%
<b>Operating profit</b>	<b>723.1</b>	<b>1,337.8</b>	<b>1,935.0</b>	<b>167.6%</b>	<b>44.6%</b>	<b>2,962.9</b>	<b>4,571.8</b>	<b>54%</b>
Finance cost	(424.4)	(619.1)	(648.8)	52.9%	4.8%	(1,586.6)	(2,324.9)	47%
Associates	134.8	97.1	75.0	-44.3%	-22.7%	442.1	420.7	-5%
<b>PBT</b>	<b>433.4</b>	<b>815.8</b>	<b>1,361.3</b>	<b>214.1%</b>	<b>66.9%</b>	<b>1,818.4</b>	<b>2,667.6</b>	<b>47%</b>
Tax	(54.0)	(156.4)	(289.4)	435.9%	85.1%	(369.0)	(616.1)	67%
PAT	379.4	659.4	1,071.9	182.5%	62.5%	1,449.4	2,051.5	42%
Minority Interest	206.2	245.3	590.9	186.6%	140.9%	754.2	1,022.9	36%
Net profit	173.2	414.1	481.0	177.6%	16.1%	695.1	1,028.7	48%
<b>Core net profit</b>	<b>173.2</b>	<b>414.1</b>	<b>481.0</b>	<b>177.6%</b>	<b>16.1%</b>	<b>233.7</b>	<b>1,028.7</b>	<b>340%</b>
EPS (sen)	1.57	3.76	4.37	177.6%	16.1%	6.32	9.35	48.0%
GDPS (sen)	3.00	0.00	4.00	33.3%	NA	3.00	4.00	33%
Operating margin	11.7%	18.3%	21.3%			12.2%	15.5%	
Pretax margin	7.0%	11.1%	15.0%			7.5%	9.0%	
Tax rate	12.5%	19.2%	21.3%			20.3%	23.1%	
Core net profit margin	2.8%	5.7%	5.3%			2.9%	3.5%	

**Table 3: YTL 4QFY23 Segmental Breakdown**

Segmental Breakdown	4Q22	3Q23	4Q23	YoY	QoQ	FY22	FY23	YTD
<b>Revenue (RMm):</b>								
Construction	261.7	278.6	332.8	27.1%	19.4%	1,136.2	1,203.5	6%
Cement manufacturing	1,059.6	1,245.2	1,284.6	21.2%	3.2%	3,891.0	4,821.2	24%
Property investment & development	141.9	52.2	101.4	-28.5%	94.2%	717.4	298.6	-58%
Management services & others	22.2	153.0	406.5	1729.5%	165.7%	304.2	802.9	164%
Hotels	218.8	379.1	306.9	40.3%	-19.0%	693.7	1,312.4	89%
Utilities	4,450.3	5,221.0	6,665.7	49.8%	27.7%	17,499.0	21,069.5	20%
<b>PBT (RMm):</b>								
Construction	10.3	6.9	4.7	-54.7%	-32.5%	62.3	18.2	-71%
Cement manufacturing	116.0	120.9	171.8	48.0%	42.1%	264.2	383.0	45%
Property investment & development	(55.0)	(14.1)	(21.5)	-60.9%	52.5%	192.5	(61.9)	-132%
Management services & others	(159.9)	(13.8)	166.2	203.9%	1304.9%	465.4	46.5	90%
Hotels	18.7	57.6	42.2	125.4%	-26.7%	(58.4)	178.6	406%
Utilities	503.2	658.3	997.9	98.3%	51.6%	892.4	2,103.3	136%
<b>PBT margin</b>								
Construction	3.9%	2.5%	1.4%			5.5%	1.5%	
Cement manufacturing	10.9%	9.7%	13.4%			6.8%	7.9%	
Property investment & development	-38.7%	-27.0%	-21.2%			26.8%	-20.7%	
Management services & others	-719.6%	-9.0%	40.9%			153.0%	5.8%	
Hotels	8.6%	15.2%	13.8%			-8.4%	13.6%	
Utilities	11.3%	12.6%	15.0%			5.1%	10.0%	

**FINANCIAL SUMMARY**

<b>Income Statement (RMm)</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024F</b>	<b>2025F</b>
Revenue	17,270.4	24,161.1	29,508.2	29,653.0	30,357.8
Operating profit	1,791.3	2,739.5	4,571.8	4,205.5	4,412.9
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	700.0	714.0
<b>Pretax profit</b>	<b>631.8</b>	<b>1,558.7</b>	<b>2,667.6</b>	<b>3,163.8</b>	<b>3,308.7</b>
Taxation	(959.2)	(385.0)	(616.1)	(727.7)	(761.0)
Minority Interest	(40.3)	(643.1)	(1,022.9)	(1,218.1)	(1,273.8)
Net profit	(367.7)	530.5	1,028.7	1,218.1	1,273.8
<b>Core net profit</b>	<b>(65.0)</b>	<b>69.1</b>	<b>1,028.7</b>	<b>1,218.1</b>	<b>1,273.8</b>
<b>Balance Sheet (RM m)</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024F</b>	<b>2025F</b>
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
<b>Total non-current assets</b>	<b>51,926</b>	<b>52,251</b>	<b>57,042</b>	<b>57,751</b>	<b>58,419</b>
Inventories	1,137	1,249	1,285	4,062	4,159
Receivables	3,924	4,728	5,957	6,824	7,070
Cash & near cash	13,679	11,399	14,435	11,933	12,684
Others	3,197	2,715	2,689	2,689	2,689
<b>Total current assets</b>	<b>21,937</b>	<b>20,091</b>	<b>24,366</b>	<b>25,508</b>	<b>26,601</b>
Payables	3,696	4,525	5,530	5,596	5,704
Borrowings	9,664	6,911	6,911	6,911	6,911
Other current liabilities	1,723	1,497	2,419	2,419	2,419
<b>Total current liabilities</b>	<b>15,082</b>	<b>12,933</b>	<b>14,860</b>	<b>14,927</b>	<b>15,034</b>
Borrowings	35,411	35,345	32,908	34,146	35,226
Others	7,033	6,546	13,777	13,777	13,777
<b>Total long term liabilities</b>	<b>42,443</b>	<b>41,891</b>	<b>46,685</b>	<b>47,922</b>	<b>49,003</b>
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	9,778	10,351
Treasury	(54)	(54)	(54)	(54)	(54)
<b>Shareholder funds</b>	<b>12,788</b>	<b>12,939</b>	<b>14,212</b>	<b>14,760</b>	<b>15,333</b>
Minority interest	3,549	4,581	5,650	5,650	5,650
<b>Shareholders' equity</b>	<b>16,338</b>	<b>17,519</b>	<b>19,862</b>	<b>20,410</b>	<b>20,983</b>

Cashflow Statement (RM'm)	2021	2022	2023	2024F	2025F
Pretax profit	631.8	1,548.9	2,455.5	3,163.8	3,308.7
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)	(3,578.1)	(234.1)
Others	(1,415.0)	(1,883.4)	933.6	(1,945.7)	(2,034.8)
<b>Operating cash flow</b>	<b>3,010.3</b>	<b>1,544.2</b>	<b>4,964.9</b>	<b>(510.2)</b>	<b>2,930.2</b>
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
<b>Investing cash flow</b>	<b>(1,109.5)</b>	<b>(907.3)</b>	<b>(3,254.1)</b>	<b>(2,559.1)</b>	<b>(2,559.1)</b>
Dividends paid	(426.8)	0.0	(274.1)	(520.0)	(669.9)
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	27.6	148.7
<b>Financing cash flow</b>	<b>298.9</b>	<b>(3,017.2)</b>	<b>475.8</b>	<b>567.3</b>	<b>379.5</b>
<b>Net change in cash</b>	<b>2,199.7</b>	<b>(2,380.4)</b>	<b>2,186.6</b>	<b>(2,502.0)</b>	<b>750.7</b>
Adjustments for forex & bank overdraft	352.8	126.3	952.1	0.0	0.0
B/f cash balance	11,100.1	13,678.6	11,296.7	14,158.9	11,656.9
<b>Ending cash balance</b>	<b>13,678.6</b>	<b>11,398.6</b>	<b>14,435.4</b>	<b>11,656.9</b>	<b>12,407.6</b>
Key Ratios	2021	2022	2023	2024F	2025F
Operating profit margin	10.4%	11.3%	15.5%	14.2%	14.5%
Pretax margin	3.7%	6.5%	9.0%	10.7%	10.9%
ROE (%)	-0.5%	0.5%	7.2%	8.3%	8.3%
ROA (%)	-0.1%	0.1%	1.3%	1.5%	1.5%
Net gearing	246%	238%	179%	197%	192%
BV per share (RM)	1.21	1.23	1.35	1.40	1.46
PBV (x)	1.12	1.11	1.01	0.97	0.93
PER (x)	-220.5	207.3	13.9	11.8	11.2

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