

## Ranhill Utilities Berhad

(5272 | RAHH MK) Main | Utilities

**Maintain BUY**

### New Shareholder Emerges

**Unchanged Target Price: RM0.80**

#### DEVELOPMENT

- YTL Power (YTLP) has emerged as a substantial shareholder in Ranhill Utilities (Ranhill) following the acquisition of an 18.87% stake in the latter.

#### OUR VIEW

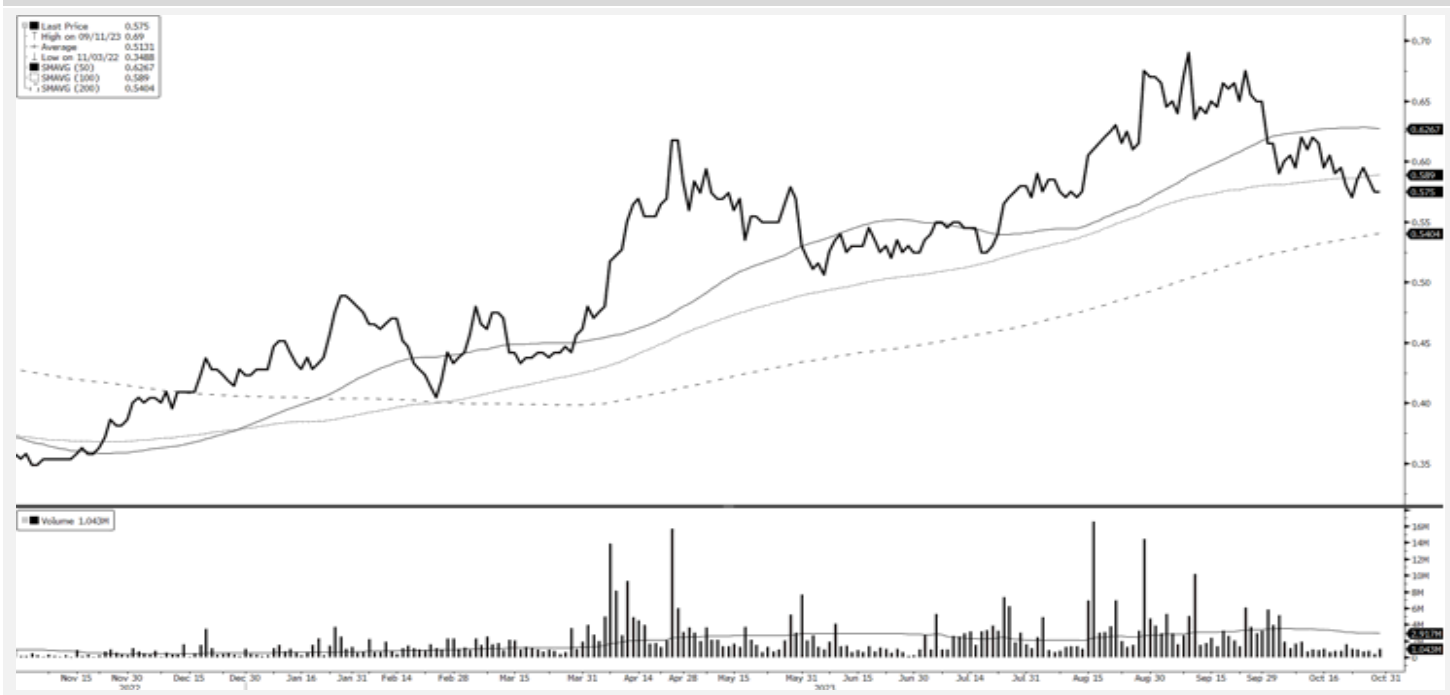
- No further details were announced, but we understand the 18.87% block was acquired from Cheval Infrastructure, which in turn is expected to cease to be a shareholder of Ranhill.
- Our quick channel checks suggest this is a strategic investment decision for YTLP as it sees good assets within the Ranhill group such as its exclusive rights to Johor water supply and Sabah power sector exposure. Ranhill has been building exposure in the renewable energy (RE) sector via its soon-to-be operationalized 50MW LSS4 plant and is actively looking to expand its presence in this space.
- YTLP is similarly building its presence in Johor and RE via its upcoming 72MW data centre (Phase 1) and 500MW solar farm in Kulai. YTLP has also indicated interest to participate in RE exports to Singapore, pending finalization of the RE export framework by the Government.
- Since YTLP's stake is still below the 20% threshold, we see no impact to YTLP's earnings at this point, unless there is intention by YTLP to increase its stake further and if any strategic venture with Ranhill is on the cards. At yesterday's closing price of RM0.58/share, acquisition cost could come up to a total RM141m, which barely puts a dent on YTLP's balance sheet.
- Entry of a large multinational utilities as YTLP into Ranhill speaks volumes of the value in the latter. We re-affirm our **BUY** call on both **Ranhill (TP: RM0.80)** and **YTLP (TP: RM2.45)**. 

**INVESTMENT STATISTICS**

Annual Standardized Year end 31 Dec	2020A	2021A	2022A	2023F	2024F
Revenue	1,468.1	1,531.1	1,726.4	1,873.4	1,942.9
Operating Profit	80.7	93.6	197.6	134.1	159.8
Profit Before Tax	95.5	93.7	199.6	130.9	138.7
Reported Earnings	37.7	30.6	96.7	46.5	49.2
Core Earnings	51.5	32.1	22.3	46.5	49.2
Core EPS	4.8	3.0	1.7	3.6	3.8
DPS	4.0	0.7	2.5	3.0	3.2
Dividend Yield	6.8	1.2	4.3	5.3	5.6

Source: Company, MIDFR

**SHARE PRICE CHART**



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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