

YTL Corporation Berhad

(4677 | YTL MK) Main | Utilities

Narrower Outperformance

KEY INVESTMENT HIGHLIGHTS

- **1HFY24 result outperformed albeit by a narrower margin**
- **Flattish utilities earnings sequentially but still strong improvements at cement and hotel divisions**
- **FY24F/25F net profit revised up +13%/+10%**
- **Maintain BUY at higher TP of RM2.27**

Narrower outperformance. YTL Corp's (YTL) 1HFY24 result outperformed consensus albeit by a narrower margin this time around with key outperformance coming from its cement and utilities divisions. The group reported a net profit of RM589m for its 2QFY24, which brought 1HFY24 net profit to RM1.1b, accounting for 61%/62% of our/consensus estimates.

Key takeaways. YTL's 2QFY24 PBT was up +345%yoy driven primarily by a strong turnaround in the Singapore power market which benefitted Power Seraya. However, on sequential basis, PBT contribution from the utilities division was largely flattish (-3.4%qoq) as Power Seraya's earnings momentum looks to have peaked. Singapore's spot electricity prices have eased considerably, and we expect Power Seraya's margins to gradually normalize as its 1.5-2.0-year retail contracts gradually reach expiry and its spot exposure (~10% of volumes) start to reflect market trends. Having said that, we expect Wessex Water to see earning improvement in 4QFY24 given easing UK inflation and as it reaches its annual tariff review anniversary in April. YTL's cement division performed well with PBT rising by +344%yoy and +42%qoq driven primarily by improved margins despite flattish revenue sequentially. ASP has stabilized at a range of RM300-350/MT and we believe the group is benefiting from cheaper coal prices whereby it locks in merely ~2 month forward requirements. The hotels division also saw strong performance (2QFY24 PBT: +61%yoy) given market share gains, higher occupancy rate post-pandemic and higher room rates across all hotel assets.

Earnings estimates. We raise FY24F/25F net profit by +13%/+10% to reflect our revised earnings for YTL Power and higher margin assumption for YTL's cement division.

Maintain BUY. We raise our SOP-derived **TP** to **RM2.27** (from RM1.78 previously) to reflect upward revisions to our TPs for YTL Power (to RM4.22 from RM2.99 previously) and MCement (to RM5.33 from RM4.91 previously). The former is driven primarily by incremental valuations for YTL's data centre ventures and upcoming 600MW hydrogen-CCGT power plant.

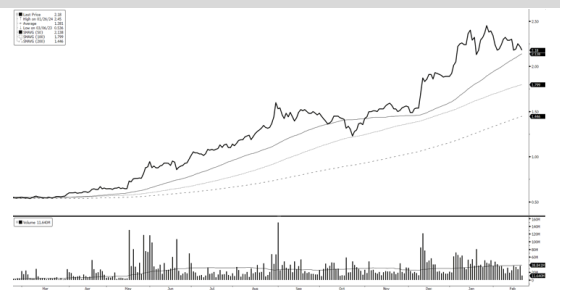
Maintain BUY

Revised Target Price: RM2.27
(Previously RM1.78)

RETURN STATISTICS

Price @ 22 nd Feb. 2024 (RM)	2.15
Expected share price return (%)	+5.6
Expected dividend yield (%)	+4.5
Expected total return (%)	+10.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.8	-8.1
3 months	15.3	34.2
12 months	289.3	268.8

INVESTMENT STATISTICS

FYE Jun (RMm)	2023A	2024F	2025F
Revenue	29,508.2	33,948.5	34,666.5
Operating Profit	4,571.8	6,658.8	6,770.6
Profit Before Tax	2,667.6	5,337.1	5,380.7
Core PATAMI	1,028.7	2,054.8	2,071.6
Core EPS (sen/share)	9.8	19.5	19.7
PER (x)	22.0	11.0	10.9
DPS (sen/share)	4.0	9.8	9.8
Dividend Yield (%)	1.9	4.5	4.6

KEY STATISTICS

FBM KLCI	1,545.49
Issue shares (m)	10,964.09
Estimated free float (%)	30.44
Market Capitalisation (RM'm)	23,902.36
52-wk price range	RM0.55-RM2.50
3-mth average daily volume (m)	38.30
3-mth average daily value (RM'm)	78.42
Top Shareholders (%)	
Yeoh Tiong Lay & Sons Holdings	50.20
Credit Suisse Group AG	9.24
Employees Provident Fund Board	5.00

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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)
Listed Units:						
YTL Power	56%	4.22	29,682.8	MIDF TP	16,494.7	1.50
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%	1.23	2,083.6	Market price	1,146.0	0.10
Starhill Global REIT	37%	0.48*	3,668.7**	Market price	1,375.0	0.12
Malayan Cement	76%	5.33	6,530.3	MIDF TP	4,930.9	0.45
Unlisted Units:						
ERL concession	45%			Equity NPV	383	0.03
Construction	100%			12xPE	1,035	0.09
Gross Value					26,374	2.40
<i>less: holding co net debt</i>					<i>-1,391</i>	<i>-0.13</i>
Total SOP Value					24,983	2.27

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

YTL: 1HFY24 RESULT SUMMARY

FYE Jun (RMm)	2Q23	1Q24	2Q24	YoY	QoQ	1H23	1H24	YTD
Revenue	6,592.6	7,521.0	7,530.1	14.2%	0.1%	13,081.2	15,051.1	15%
EBITDA	1,313.3	2,429.9	2,403.4	83.0%	-1.1%	2,477.9	4,833.3	95%
Depr. & Amort.	(464.8)	(524.7)	(461.2)	-0.8%	-12.1%	(930.3)	(985.9)	6%
Operating profit	727.2	1,793.1	1,848.0	154.1%	3.1%	1,299.0	3,641.1	180%
Finance cost	(561.9)	(691.0)	(666.5)	18.6%	-3.5%	(1,057.1)	(1,357.5)	28%
Associates	121.4	112.2	94.2	-22.4%	-16.0%	248.6	206.4	-17%
PBT	286.6	1,214.3	1,275.7	345.1%	5.1%	490.6	2,489.9	408%
Tax	(89.9)	(274.1)	(245.8)	173.3%	-10.3%	(170.3)	(519.9)	205%
PAT	196.6	940.2	1,029.9	423.7%	9.5%	320.3	1,970.0	515%
Minority Interest	99.7	418.4	440.6	341.8%	5.3%	186.7	859.1	360%
Net profit	96.9	521.7	589.2	508.0%	12.9%	133.5	1,110.9	732%
Core net profit	96.9	521.7	589.2	508.0%	12.9%	133.5	1,110.9	732%
EPS (sen)	0.88	4.74	5.35			1.21	10.10	
GDPS (sen)	0.00	0.00	0.00			0.00	0.00	
Operating margin	11.0%	23.8%	24.5%			9.9%	24.2%	
Pretax margin	4.3%	16.1%	16.9%			3.8%	16.5%	
Tax rate	31.4%	22.6%	19.3%			34.7%	20.9%	
Net profit margin	1.5%	6.9%	7.8%			1.0%	7.4%	

YTL: 1HFY24 RESULT BREAKDOWN

Segmental Breakdown	2Q23	1Q24	2Q24	YoY	QoQ	1H23	1H24	YTD
Revenue (RMm):	6,592.6	7,521.0	7,530.1			13,081.2	15,051.1	
Construction	317.3	156.1	259.5	-18.2%	66.2%	592.1	415.6	-30%
Cement manufacturing	1,170.9	1,412.5	1,397.8	19.4%	-1.0%	2,291.4	2,810.3	23%
Property investment & development	62.6	139.5	59.5	-5.1%	-57.4%	145.0	198.9	37%
Management services & others	142.3	258.7	273.0	91.8%	5.5%	243.5	531.7	118%
Hotels	338.0	363.2	422.0	24.8%	16.2%	626.4	785.2	25%
Utilities	4,561.4	5,191.1	5,118.4	12.2%	-1.4%	9,182.8	10,309.5	12%
PBT (RMm):	286.6	1,214.3	1,275.7			490.6	2,489.9	
Construction	3.0	1.1	3.8	26.4%	244.9%	6.6	4.9	-27%
Cement manufacturing	52.1	163.0	231.3	343.7%	41.9%	90.3	394.4	337%
Property investment & development	(12.8)	55.6	(9.5)	-25.5%	-117.1%	(26.3)	46.1	-275%
Management services & others	(19.3)	16.8	72.0	-473.4%	327.1%	(105.9)	88.8	184%
Hotels	49.1	46.9	78.9	60.7%	68.3%	78.8	125.7	60%
Utilities	214.4	930.8	899.2	319.4%	-3.4%	447.1	1,830.1	309%
PBT margin				ppts	ppts			ppts
Construction	0.9%	0.7%	1.5%	0.5	0.8	1.1%	1.2%	0.1
Cement manufacturing	4.5%	11.5%	16.6%	12.1	5.0	3.9%	14.0%	10.1
Property investment & development	-20.4%	39.9%	-16.0%	4.4	-55.9	-18.1%	23.2%	41.3
Management services & others	-13.5%	6.5%	26.4%	39.9	19.9	-43.5%	16.7%	60.2
Hotels	14.5%	12.9%	18.7%	4.2	5.8	12.6%	16.0%	3.4
Utilities	4.7%	17.9%	17.6%	12.9	-0.4	4.9%	17.8%	12.9

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RMm)	2021	2022	2023	2024F	2025F
Revenue	17,270.4	24,161.1	29,508.2	33,948.5	34,666.5
Operating profit	1,791.3	2,739.5	4,571.8	6,658.8	6,770.6
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	420.0	428.4
Pretax profit	631.8	1,558.7	2,667.6	5,337.1	5,380.7
Taxation	(959.2)	(385.0)	(616.1)	(1,227.5)	(1,237.6)
Minority Interest	(40.3)	(643.1)	(1,022.9)	(2,054.8)	(2,071.6)
Net profit	(367.7)	530.5	1,028.7	2,054.8	2,071.6
Core net profit	(65.0)	69.1	1,028.7	2,054.8	2,071.6
Balance Sheet (RM m)	2021	2022	2023	2024F	2025F
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
Total non-current assets	51,926	52,251	57,042	57,751	58,419
Inventories	1,137	1,249	1,285	4,650	4,749
Receivables	3,924	4,728	5,957	7,813	8,073
Cash & near cash	13,679	11,399	14,435	10,481	11,702
Others	3,197	2,715	2,689	2,689	2,689
Total current assets	21,937	20,091	24,366	25,633	27,213
Payables	3,696	4,525	5,530	6,026	6,158
Borrowings	9,664	6,911	6,911	6,911	6,911
Other current liabilities	1,723	1,497	2,419	1,635	1,635
Total current liabilities	15,082	12,933	14,860	14,572	14,704
Borrowings	35,411	35,345	32,908	34,146	35,226
Others	7,033	6,546	13,777	13,777	13,777
Total long term liabilities	42,443	41,891	46,685	47,922	49,003
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	10,257	11,293
Treasury	(54)	(54)	(54)	(54)	(54)
Shareholder funds	12,788	12,939	14,212	15,239	16,275
Minority interest	3,549	4,581	5,650	5,650	5,650
Shareholders' equity	16,338	17,519	19,862	20,889	21,925

Cashflow Statement (RM'm)	2021	2022	2023	2024F	2025F
Pretax profit	631.8	1,548.9	2,455.5	5,337.1	5,380.7
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)	(5,509.3)	(226.5)
Others	(1,415.0)	(1,883.4)	933.6	(3,282.3)	(3,309.2)
Operating cash flow	3,010.3	1,544.2	4,964.9	(1,604.8)	3,735.6
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
Investing cash flow	(1,109.5)	(907.3)	(3,254.1)	(2,559.1)	(2,559.1)
Dividends paid	(426.8)	0.0	(274.1)	(520.0)	(1,027.4)
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	(329.8)	171.0
Financing cash flow	298.9	(3,017.2)	475.8	209.9	44.4
Net change in cash	2,199.7	(2,380.4)	2,186.6	(3,953.9)	1,220.9
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	10,205.0
Ending cash balance	13,678.6	11,398.6	14,435.4	10,205.0	11,425.9
Key Ratios	2021	2022	2023	2024F	2025F
Operating profit margin	10.4%	11.3%	15.5%	19.6%	19.5%
Pretax margin	3.7%	6.5%	9.0%	15.7%	15.5%
ROE (%)	-0.5%	0.5%	7.2%	13.5%	12.7%
ROA (%)	-0.1%	0.1%	1.3%	2.5%	2.4%
Net gearing	246%	238%	179%	201%	187%
BV per share (RM)	1.21	1.23	1.35	1.45	1.54
PBV (x)	1.77	1.75	1.59	1.49	1.39
PER (x)	NA	327.6	22.0	11.0	10.9

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