

YTL Corporation Berhad

(4677 | YTL MK) Main | Utilities

Beneficiary of Infra Upcycle

KEY INVESTMENT HIGHLIGHTS

- **9MFY24 result within our but ahead of consensus**
- **Sequential performance dragged by utilities and cement divisions**
- **FY24F/25F net profit revised up +2%**
- **Maintain BUY at higher TP of RM4.19**

Within our expectation but ahead of consensus. YTL Corp's (YTL) 9MFY24 result came in within our estimates but ahead of consensus. The group reported a net profit of RM496m for its 3QFY24, which brought 9MFY24 net profit to RM1.61b, accounting for 78%/89% of our/consensus estimates.

Key takeaways. YTL saw a -4.3%qoq decline in PBT to RM1.08b primarily dragged by the utilities division, which registered a -26%qoq PBT decline to RM669m. This was due to gradually normalizing earnings at Seraya from easing pool prices and gradual renewal of retail contracts at lower prices. Nevertheless, we believe Seraya's earnings could sustain at current levels in the near term before the next batch of retail contract expiry kicks in. This was, and will be going forward, partly offset by gradual improvement in Wessex Water's performance on the back of easing inflation, easing interest on index linked bonds and its annual tariff revision in April. YTL's cement division held up well notwithstanding an -11%qoq sequential decline given Chinese New Year festivities and one-off ESOS expense recognized by Malayan Cement during the period. Broadly, given its dominant share of domestic cement supply, we expect YTL to continue benefiting from a pickup in infrastructure projects underpinned by the country's rising development expenditure. Meanwhile, the hotel division saw further earnings improvement (3QFY24 PBT: +57%qoq) due to market share gains as well as higher occupancy and room rates across its assets.

Earnings estimates. We raised our FY24F/25F net profit estimate marginally by +2% to reflect our revised earnings estimates for Malayan Cement. Earnings for other divisions remain unchanged.

Maintain BUY. Our SOP derived **TP** is raised to **RM4.19** (from RM2.27) to reflect: (1) Higher TP for Malayan Cement at RM6.03 from RM5.33 previously, (2) Higher TP for YTL Power at RM6.35 from RM4.22 previously, (3) Market value of YTL's prime landbank. Our revised TP implies 20.9x FY25F PER, which is still below YTL's 10-year historical mean PER. We continue to like YTL as a beneficiary of the infrastructure upcycle as well as the strategic venture into data centers and renewable energy via its utilities division.



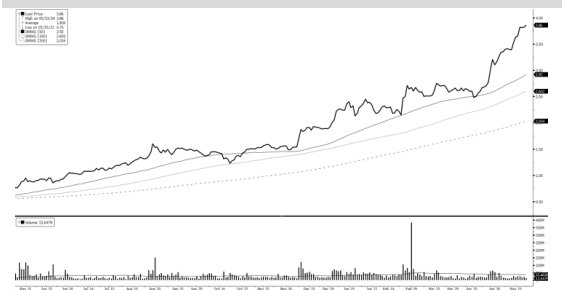
Maintain BUY

Revised Target Price: RM4.19
(Previously RM2.27)

RETURN STATISTICS

Price @ 23 rd May 2024 (RM)	3.88
Expected share price return (%)	+8.0
Expected dividend yield (%)	+2.6
Expected total return (%)	+10.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	44.0	38.0
3 months	46.8	48.3
12 months	394.9	331.3

INVESTMENT STATISTICS

FYE Jun (RMm)	2023A	2024F	2025F
Revenue	29,508.2	34,289.9	35,012.6
Operating Profit	4,571.8	6,769.4	6,882.5
Profit Before Tax	2,667.6	5,447.8	5,492.6
Core PATAMI	1,028.7	2,097.4	2,114.7
Core EPS (sen/share)	9.8	19.9	20.1
PER (x)	39.7	19.5	19.3
DPS (sen/share)	4.0	10.0	10.0
Dividend Yield (%)	1.0	2.6	2.6

KEY STATISTICS

FBM KLCI	1,629.18
Issue shares (m)	10964.09
Estimated free float (%)	30.59
Market Capitalisation (RM'm)	42,432.85
52-wk price range	RM0.76-RM3.92
3-mth average daily volume (m)	37.74
3-mth average daily value (RM'm)	103.88
Top Shareholders (%)	
Yeoh Tiong Lay & Sons Holdings	50.07
Credit Suisse Group AG	9.22
Employees Provident Fund Board	4.99

Analyst

Hafriz Hezry

hafriz.hezry@midf.com.my

Table 1: YTL Sum-of-Parts Valuation

Group's businesses	Stake	Valuation method	Value (RMm)	Value/share (RMm)
Listed Units:				
YTL Power	56%	<i>MIDF TP</i>	28,590.0	2.60
YTL Hospitality REIT	56%	<i>Consensus TP</i>	1,250.1	0.11
Starhill Global REIT	37%	<i>Consensus TP</i>	1,645.6	0.15
Malayan Cement	76%	<i>MIDF TP</i>	6,021.9	0.55
Non-Listed Units:				
ERL concession	45%	<i>NPV</i>	383	0.03
Construction	100%	<i>12x PER</i>	1,035	0.09
Landbank	93%	<i>20% discount to RNAV</i>	11,296	1.03
Gross Value			50,221	3.54
<i>less: holding co net debt</i>			<i>-4,096</i>	<i>-0.37</i>
Total SOP Value			46,125	4.19

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

YTL: 9MFY24 RESULT SUMMARY

FYE Jun (RMm)	3Q23	2Q24	3Q24	YoY	QoQ	9M23	9M24	YTD
Revenue	7,329.0	7,530.1	7,207.4	-1.7%	-4.3%	20,410.2	22,258.5	9%
EBITDA	1,824.8	2,403.4	2,664.3	46.0%	10.9%	4,302.7	7,036.4	64%
Depr. & Amort.	(389.9)	(461.2)	(937.9)	140.5%	103.4%	(1,320.2)	(1,462.5)	11%
Operating profit	1,337.8	1,848.0	1,586.9	18.6%	-14.1%	2,636.8	5,228.0	98%
Finance cost	(619.1)	(666.5)	(647.1)	4.5%	-2.9%	(1,676.2)	(2,004.7)	20%
Associates	97.1	94.2	139.5	43.7%	48.1%	345.7	345.9	0%
PBT	815.8	1,275.7	1,079.2	32.3%	-15.4%	1,306.3	3,569.2	173%
Tax	(156.4)	(245.8)	(246.9)	57.9%	0.5%	(326.6)	(766.9)	135%
PAT	659.4	1,029.9	832.3	26.2%	-19.2%	979.7	2,802.3	186%
Minority Interest	245.3	440.6	336.1	37.0%	-23.7%	432.0	1,195.1	177%
Net profit	414.1	589.2	496.2	19.8%	-15.8%	547.7	1,607.2	193%
Core net profit	414.1	589.2	496.2	19.8%	-15.8%	547.7	1,607.2	193%
EPS (sen)	3.76	5.35	4.51	19.8%	-15.8%	4.98	14.60	193.5%
GDPS (sen)	0.00	0.00	0.00	NA	NA	0.00	0.00	NA
Operating margin	18.3%	24.5%	22.0%			12.9%	23.5%	
Pretax margin	11.1%	16.9%	15.0%			6.4%	16.0%	
Tax rate	19.2%	19.3%	22.9%			25.0%	21.5%	
Net profit margin	5.7%	7.8%	6.9%			2.7%	7.2%	

YTL: 9MFY24 RESULT BREAKDOWN

Segmental Breakdown	3Q23	2Q24	3Q24	YoY	QoQ	9M23	9M24	YTD
Revenue (RMm):	7,329.0	7,530.1	7,207.4			20,410.2	22,258.5	
Construction	278.6	259.5	130.6	-53.1%	-49.7%	870.7	546.2	-37%
Cement manufacturing	1,245.2	1,397.8	1,330.0	6.8%	-4.9%	3,536.6	4,140.2	17%
Property investment & development	52.2	59.5	91.8	75.8%	54.4%	197.2	290.8	47%
Management services & others	153.0	273.0	268.1	75.3%	-1.8%	396.5	799.8	102%
Hotels	379.1	422.0	484.9	27.9%	14.9%	1,005.5	1,270.0	26%
Utilities	5,221.0	5,118.4	4,902.1	-6.1%	-4.2%	14,403.7	15,211.5	6%
PBT (RMm):	815.8	1,275.7	1,079.2			1,306.3	3,569.2	
Construction	6.9	3.8	9.4	36.4%	150.6%	13.6	14.3	6%
Cement manufacturing	120.9	231.3	205.0	69.6%	-11.4%	211.2	599.4	184%
Property investment & development	(14.1)	(9.5)	8.8	162.4%	192.4%	(40.4)	54.9	236%
Management services & others	(13.8)	72.0	63.2	558.1%	-12.2%	(119.7)	152.0	227%
Hotels	57.6	78.9	123.8	115.1%	57.0%	136.3	249.5	83%
Utilities	658.3	899.2	669.0	1.6%	-25.6%	1,105.3	2,499.1	126%
PBT margin				ppts	ppts			ppts
Construction	2.5%	1.5%	7.2%	4.7	5.8	1.6%	2.6%	1.1
Cement manufacturing	9.7%	16.6%	15.4%	5.7	-1.1	6.0%	14.5%	8.5
Property investment & development	-27.0%	-16.0%	9.6%	36.6	25.6	-20.5%	18.9%	39.4
Management services & others	-9.0%	26.4%	23.6%	32.6	-2.8	-30.2%	19.0%	49.2
Hotels	15.2%	18.7%	25.5%	10.3	6.8	13.6%	19.6%	6.1
Utilities	12.6%	17.6%	13.6%	1.0	-3.9	7.7%	16.4%	8.8

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RMm)	2021	2022	2023	2024F	2025F
Revenue	17,270.4	24,161.1	29,508.2	34,289.9	35,012.6
Operating profit	1,791.3	2,739.5	4,571.8	6,769.4	6,882.5
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	5,447.8	5,492.6
Taxation	(959.2)	(385.0)	(616.1)	(1,253.0)	(1,263.3)
Minority Interest	(40.3)	(643.1)	(1,022.9)	(2,097.4)	(2,114.7)
Net profit	(367.7)	530.5	1,028.7	2,097.4	2,114.7
Core net profit	(65.0)	69.1	1,028.7	2,097.4	2,114.7
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	4,697	4,796
Receivables	3,924	4,728	5,957	7,891	8,154
Cash & near cash	13,679	11,399	14,435	10,430	11,671
Others	3,197	2,715	2,689	2,689	2,689
Total current assets	21,937	20,091	24,366	25,708	27,309
Payables	3,696	4,525	5,530	6,079	6,212
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	14,625	14,758
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	10,278	11,336
Treasury	(54)	(54)	(54)	(54)	(54)
Shareholder funds	12,788	12,939	14,212	15,260	16,318
Minority interest	3,549	4,581	5,650	5,650	5,650
Shareholders' equity	16,338	17,519	19,862	20,911	21,968

Cashflow Statement (RM'm)	2021	2022	2023	2024F	2025F
Pretax profit	631.8	1,548.9	2,455.5	5,447.8	5,492.6
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)	(5,581.7)	(228.4)
Others	(1,415.0)	(1,883.4)	933.6	(3,350.4)	(3,378.0)
Operating cash flow	3,010.3	1,544.2	4,964.9	(1,634.6)	3,776.8
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)	(1,048.7)
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	(351.1)	170.7
Financing cash flow	298.9	(3,017.2)	475.8	188.6	22.8
Net change in cash	2,199.7	(2,380.4)	2,186.6	(4,005.0)	1,240.5
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	10,153.9
Ending cash balance	13,678.6	11,398.6	14,435.4	10,153.9	11,394.4
Key Ratios	2021	2022	2023	2024F	2025F
Operating profit margin	10.4%	11.3%	15.5%	19.7%	19.7%
Pretax margin	3.7%	6.5%	9.0%	15.9%	15.7%
ROE (%)	-0.5%	0.5%	7.2%	13.7%	13.0%
ROA (%)	-0.1%	0.1%	1.3%	2.5%	2.5%
Net gearing	246%	238%	179%	201%	187%
BV per share (RM)	1.21	1.23	1.35	1.45	1.55
PBV (x)	3.20	3.16	2.88	2.68	2.50
PER (x)	-629.0	591.3	39.7	19.5	19.3

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
 (Bank Pelaburan)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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