

YTL Corporation Berhad

(4677 | YTL MK) Main | Utilities

Acquiring SGX-Listed NSL Ltd

KEY INVESTMENT HIGHLIGHTS

- **YTL Cement to acquire 81.24% of NSL Ltd for SGD227.6m (RM792.3m)**
- **Acquisition price of SGD0.75 (RM2.61) per share, a +5.6% premium to NSL's NTA per share of SGD0.71**
- **NSL's IBS capabilities synergises well with YTL Cement, apart from opening doors to new markets**
- **Maintain BUY with an unchanged TP of RM4.19**

Acquisition of SGX-listed NSL. YTL Corp's (YTL) subsidiary YTL Cement Bhd has entered into a conditional sale and purchase agreement (SPA) to acquire an 81.24% stake in SGX-listed NSL Ltd for SGD227.6m (RM792.3m). YTL Cement will be acquiring 303.4m units of NSL shares for SGD0.75 each (RM2.61) from 98 Holdings Pte Ltd, an investment holding company.

Details of the deal. The acquisition will be funded via a combination of YTL's internally generated funds and borrowings, where its breakdown will be determined later. At SGD0.75 (RM2.61) per share, the acquisition price is at a +5.6% premium to NSL's NTA per share of SGD0.71 as at FY23. Following the acquisition, YTL Cement will be required to make a mandatory unconditional cash offer for all NSL shares, also at SGD0.75. Both proposals are expected to be completed by 4QCY24. YTL intends to maintain the listing status of NSL on the SGX.

About NSL. Incorporated on 12th August 1961, NSL was then known as National Iron and Steel Mills Ltd and was listed on the main board of SGX since 1964. It assumed the name NatSteel Ltd in May-90 before adopting its current name from May-08. The group's core businesses are in precast and prefabricated bathroom unit (PBU) and environmental services. The precast and PBU segment has presence in Dubai and Finland, apart from Singapore and Malaysia. The group posted a loss after tax of -SGD19.6m in FY23, dragged mainly by a non-cash impairment loss of -SGD32.2m.

Vast synergistic opportunities. YTL's acquisition of NSL will open the doors to the industrialised building system (IBS) business in Malaysia, Singapore, Dubai and Finland. This will synergise well with YTL Cement's business, which comes at an opportune time in light of the boom in data centres and industrial buildings in Malaysia where precast concrete components are expected to facilitate the speed of construction. Apart from penetrating new markets, the acquisition also allows YTL Cement to expand into the environmental services business.

Earnings estimates. Our earnings estimates remain unchanged for now.

Maintain BUY. We are also maintaining our **BUY** recommendation on

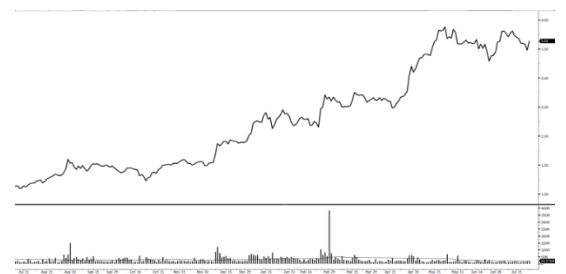
Maintain BUY

Unchanged Target Price: RM4.19

RETURN STATISTICS

Price @ 23 rd July 2024 (RM)	3.64
Expected share price return (%)	+15.1
Expected dividend yield (%)	+2.6
Expected total return (%)	+17.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.8	3.2
3 months	5.5	29.5
12 months	222.1	181.6

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)	37.1	18.3	18.1
DPS (sen/share)	4.0	10.0	10.0
Dividend Yield (%)	1.0	2.6	2.6

KEY STATISTICS

FBM KLCI	1,629.68
Issue shares (m)	10964.09
Estimated free float (%)	30.76
Market Capitalisation (RM'm)	40,062.09
52-wk price range	RM1.11-RM3.92
3-mth average daily volume (m)	21.36
3-mth average daily value (RM'm)	74.15
Top Shareholders (%)	
Yeoh Tiong Lay & Sons Holdings	50.08
Credit Suisse Group AG	9.09
Employees Provident Fund Board	4.98

Analyst

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YTL Corp, based on our SOP derived **TP** of **RM4.19**. Our TP implies 18.1x 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 given its dominant share of domestic cement supply; its strategic venture into data centers and renewable energy via its utilities division. We view the proposed acquisition of NSL as a positive one for YTL. 

Table 1: YTL Sum-of-Parts Valuation

Group's businesses	Stake	Valuation method	Value (RMm)	Value/share (RMm)
Listed Units:				
YTL Power	56%	MIDF TP	28,590.0	2.60
YTL Hospitality REIT	56%	Consensus TP	1,250.1	0.11
Starhill Global REIT	37%	Consensus TP	1,645.6	0.15
Malayan Cement	76%	MIDF TP	6,021.9	0.55
Non-Listed Units:				
ERL concession	45%	NPV	383	0.03
Construction	100%	12x PER	1,035	0.09
Landbank	93%	20% discount to RNAV	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

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

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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