

29 May 2024

# YTL Power International

## Making a GO for Ranhill at RM0.995

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YTLPOWER which is in the midst of raising its stake in RANHILL (Not Rated) to 53.2%, is making a general offer (GO) for shares it has not already owned in the utilities company at RM0.995/share. We see RANHILL's water utility in Johor, IPP in Sabah, and large-scale solar project in Perak as good fits to YTLPOWER, although their impact to earnings is minimal. We maintain our forecasts, TP of RM5.22 and MARKET PERFORM rating.

YTLPOWER, through its 70%-owned SIPP Power Sdn Bhd is acquiring a 31.42% stake in RANHILL from the latter's major shareholder Tan Sri Hamdan and his related parties for RM405.2m cash. Upon completion of the acquisition (targeted by June 2024), SIPP Power will own c.53.19% stake in RANHILL from 21.77% currently, which will trigger an unconditional mandatory take-over (MTO) offer to acquire all the remaining share in RANHILL not already owned by SIPP Power at RM0.995/share. YTLPOWER intends to maintain the listing status of RANHILL post the exercise.

The acquisition is valuing RANHILL at 22.1x FY23A PER, at a slight premium to 19.4x FY23A PER of **PBA (Not Rated)** based on its current share price. Assuming full acceptance by minority shareholders, at a total outlay of RM1.01b (including RM405.2m for a 31.42% from Tan Sri Hamdan and his related parties) will only reduce YTLP's cash position of RM8.76b as at end-Mar 2024 to RM7.75b.

We expect minimal earnings impact on YTLPOWER given the relatively small earnings base of RANHILL. Based on consensus for FY24-FY25F net profit estimates of RM49.6m and RM55.2m, respectively, for RANHILL, earning impact to YTLPOWER is only 0.9% in FY24F. Nonetheless, strategically, RANHILL's water utility in Johor, IPP in Sabah (100MW) and large-scale solar project in Bidor, Perak (50MW) are good fits to YTLPOWER.

**Forecasts.** Maintained.

**Valuations.** We maintain our SoP-derived TP of RM5.22 (see Page 2). There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 5).

**Investment case.** We continue to like YTLPOWER for: (i) its earnings stability backed by various regulated assets globally, (ii) the strong near-term earnings prospects of PowerSeraya backed by gas inventory locked in at low prices, and (iii) its longer-term growth potential driven by its data centre and digital banking ventures. Maintain our **MARKET PERFORM** rating.

**Risks to our recommendation include:** (i) stringent ESG standards in developed markets, (ii) regulatory risk in the power sector in Singapore, (iii) the new data centre business fails to take off, and (iv) sustained losses at YES.

## MARKET PERFORM ↔

**Price:** RM5.00  
**Target Price:** RM5.22 ↔

### Share Price Performance



KLCI 1,615.82  
YTD KLCI chg 11.1%  
YTD stock price chg 96.9%

### Stock Information

Shariah Compliant No  
Bloomberg Ticker YTLP MK Equity  
Market Cap (RM m) 40,710.8  
Shares Outstanding 8,142.2  
52-week range (H) 5.47  
52-week range (L) 1.15  
3-mth avg. daily vol. 30,118,970  
Free Float 23%  
Beta 1.1

### Major Shareholders

YTL Corp Bhd 48.8%  
Yeoh Tiong Lay & Son 9.9%  
Amanah Saham Nasional 6.5%

### Summary Earnings Table

FY June (RM m)	2023	2024F	2025F
Turnover	21,893	21,719	24,003
EBIT	3,647	5,371	5,359
PBT	2,443	4,114	3,968
<b>Net Profit (NP)</b>	<b>2,022</b>	<b>3,189</b>	<b>3,076</b>
<b>Core Net Profit</b>	<b>1,974</b>	<b>3,189</b>	<b>3,076</b>
Consensus (NP)	-	3,140	3,220
Earnings Revision (%)	-	-	-
Core EPS (sen)	27.5	44.4	42.8
Core EPS Growth (%)	313.1	61.6	-3.5
NDPS (sen)	6.0	6.0	6.0
BV/Share (RM)	2.06	2.26	2.58
NTA/Share (RM)	1.04	1.11	1.32
Core PER (x)	5.4	12.8	13.3
PBV (x)	0.63	2.21	1.94
P/NTA (x)	1.24	4.49	3.80
Gearing (x)	1.34	1.19	1.02
Dividend Yield (%)	4.6	1.2	1.2

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YTLPOWER's Sum-of-Parts Valuation			
Unit	Valuation		Basis
	(RM m)	(RM/share)	
Singapore IPP	23,357	2.86	FCFF @ 5.9% discount rate
Wessex	10,633	1.30	FCFF @ 5.9% discount rate; TG: 1%
Yes	1,949	0.24	FY23A book value
Data Centre	8,508	1.04	RM50m/MW, 400MW non-AI capacity RM100m/MW, 100MW AI capacity
Other Investment	2,234	0.27	FY23A book value
Net Cash/(Debt)	-4,101	-0.50	Estimated FY24F
<b>TP</b>	<b>42,579</b>	<b>RM5.22</b>	

Source: Kenanga Research



## Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
GAS MALAYSIA BHD	MP	3.60	3.59	-0.3%	4,622.4	Y	12/2024	28.4	27.5	-4.9%	-3.0%	12.7	13.1	3.2	25.8%	22.7	6.3%
MALAKOFF CORP BHD	MP	0.765	0.680	-11.1%	3,738.5	Y	12/2024	4.7	5.8	-71.9%	24.1%	16.3	13.1	0.8	5.2%	3.8	4.9%
PETRONAS GAS BHD	MP	18.30	17.87	-2.3%	36,210.8	Y	12/2024	98.4	100.7	5.2%	2.4%	18.6	18.2	2.6	14.2%	72.0	3.9%
SAMAIDEN GROUP BHD	MP	1.36	1.51	11.0%	568.4	Y	06/2024	3.5	5.3	26.4%	51.9%	39.1	25.7	5.4	14.9%	0.0	0.0%
SOLARVEST HOLDINGS BHD	OP	1.62	1.91	17.9%	1,121.7	Y	03/2024	3.9	6.8	52.8%	74.4%	41.3	23.7	5.2	13.8%	0.0	0.0%
TENAGA NASIONAL BHD	MP	13.26	11.50	-13.3%	76,740.0	Y	12/2024	73.7	79.5	37.4%	7.9%	18.0	16.7	1.2	7.0%	36.5	2.8%
YTL POWER INTERNATIONAL BHD	MP	5.00	5.22	4.4%	40,710.8	N	06/2024	39.1	37.7	61.6%	-3.5%	12.8	13.3	2.2	18.1%	6.0	1.2%
<b>Sector Aggregate</b>					<b>163,712.7</b>					<b>54.5%</b>	<b>3.4%</b>	<b>16.4</b>	<b>15.8</b>	<b>3.0</b>	<b>14.1%</b>		<b>2.7%</b>

Source: Kenanga Research

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**Stock ESG Ratings:**

	Criterion	Rating			
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★		
	Community Investment	★	★	★	
	Workers Safety & Wellbeing	★	★	★	
	Corporate Governance	★	★	★	
	Anti-Corruption Policy	★	★	★	
	Emissions Management	★	★	★	
<b>SPECIFIC</b>	Transition to Renewables	★	★		
	Reliable Energy & Fair Tariff	★	★	★	
	Effluent/Waste Management	★	★	★	
	Ethical Practices	★	★	★	
	Supply Chain Management	★	★	★	
	Customer Satisfaction	★	★	★	
<b>OVERALL</b>		★	★	★	

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**Stock Ratings are defined as follows:**

**Stock Recommendations**

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%  
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%  
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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