

## YTL Power International Berhad

(6742 | YTLPMK) Main | Utilities

**Maintain BUY**

### Looking to Further RE Ambitions?

**Unchanged Target Price: RM1.54**

#### KEY INVESTMENT HIGHLIGHTS

- **Reported to be bidding for Boustead Plantations**
- **Potentially on the hunt for landbank to pursue RE ambitions**
- **Group could be positioning to ride on RE export prospects**
- **Maintain BUY at TP of RM1.54**

**What's new?** It was reported in a local weekly that the YTL group is one of the parties that have put in a bid for Boustead's 57% stake in Boustead Plantations (BPlant). The article states that other bidders comprise mainly plantation players namely, Wilmar International, IOI Corp and KLK, with closing of expression of interest last week and a decision expected in about a month.

**Potential rationale.** We believe YTL's interest (which we believe is via YTL Power) in BPlant stems from its RE ambitions, which requires sizeable landbank to house potential RE assets as well as potentially data centers. To recap, YTL Power acquired BPlant's Kulai Young Estate early-2022 involving 664ha of landbank for RM429m. Bitesized acquisitions inevitably costs a premium – the Kulai Young Estate land acquisition translated into a hefty RM646,084/hectare. The lock stock & barrel acquisition of BPlant is expected to give comparatively cheaper access to some 97,400ha of landbank spread across Peninsular, Sabah and Sarawak. At current EV of an estimated RM2.73b (net debt as at March 2023: RM732m), BPlant's landbank is valued at estimated EV/hectare of RM27,988. We believe YTL's gross cash of RM8.9b (as at March 2023) is more than sufficient to finance BPlant's equity value of RM1.99b (based on current market price, which implies ~0.7x PBV).

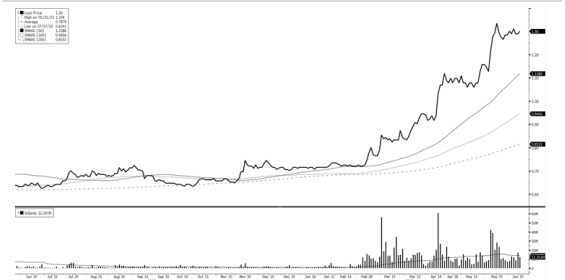
**Taking regional RE ambitions a step further?** YTL's 2-year 100MW trial power import into Singapore is expected to end in 2025. We believe the group would be preparing for major investments into RE capacity to follow up once the trial is over. Singapore aims to import up to 4GW of clean electricity by 2035 (i.e., 300-500MW by 2025, 2200-2500MW by 2030 & 3500-4000MW by 2035), which is expected to make up around 30% of electricity supply then. Supporting the export prospect is the Government's recent announcement to lift RE export and to develop an electricity exchange system to enable cross-border RE trading.

**BUY reaffirmed.** We keep our SOP-derived **TP** of **RM1.54** at this juncture. Valuations are undemanding at 8.5x FY24F PER (~30% discount to 10yr historical mean of 13x) while dividend yields are attractive at 4.2%/5.9% (FY23F/24F). YTL is well positioned to benefit from lifting of the RE export ban given its advantage in having existing generation and retail operations in Singapore. Near-term, earnings is set to be boosted further by WW's tariff hike and strong Seraya earnings from a tight Singapore electricity market.

#### RETURN STATISTICS

Price @ 16 <sup>th</sup> June 2023 (RM)	1.30
Expected share price return (%)	+18.22
Expected dividend yield (%)	4.19
<b>Expected total return (%)</b>	<b>+22.41</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	13.0	16.3
3 months	40.5	55.5
12 months	91.2	100.6

#### INVESTMENT STATISTICS

FYE Jun (RMm)	2022A	2023F	2024F
Revenue	17,793.9	19,425.8	20,082.4
Operating Profit	2,066.1	2,238.4	2,439.8
Profit Before Tax	1,396.4	1,430.9	1,622.7
Core PATAMI	152.9	1,110.4	1,243.5
Core EPS (sen/share)	1.9	13.6	15.2
DPS (sen/share)	4.5	5.4	7.6
Dividend Yield (%)	3.5	4.2	5.9

#### KEY STATISTICS

FBM KLCI	1,388.61
Issue shares (m)	8,102.2
Estimated free float (%)	17.51
Market Capitalisation (RM'm)	10,532.80
52-wk price range	RM0.66-RM1.36
3-mth average daily volume (m)	14.24
3-mth average daily value (RM'm)	15.50
Top Shareholders (%)	
YTL Corp Bhd	49.08
Yeoh Tiong Lay & Sons Holdings	9.91
Amanah Saham Nasional Bhd	6.87

#### Analyst

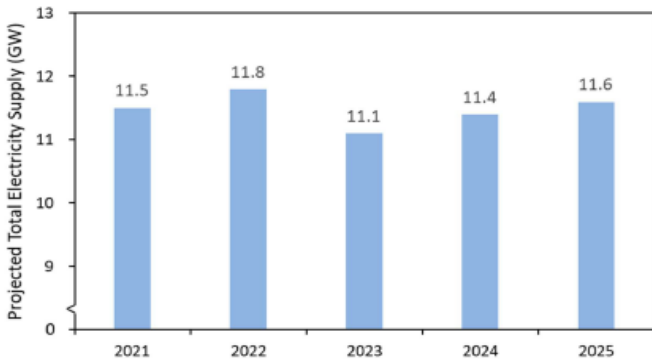
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**Table 1: Boustead Plantation's landbank**



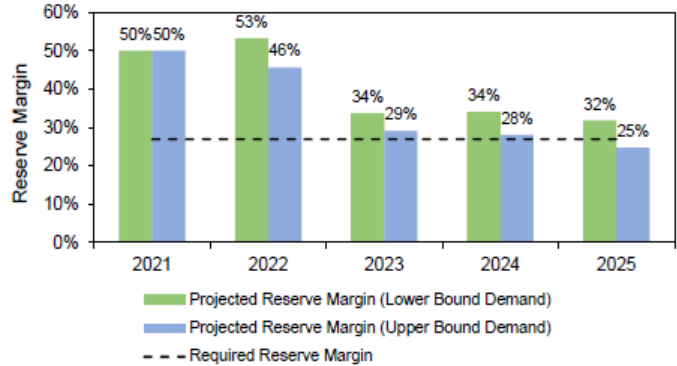
Source: Company, MIDFR

**Chart 1: Electricity Supply (Singapore)**

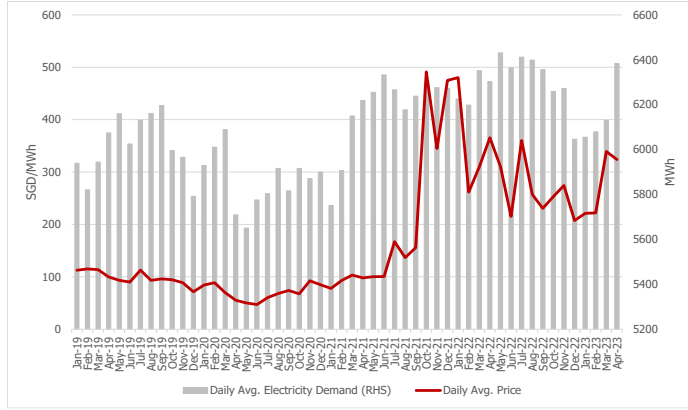


Source: EMA, MIDFR

**Chart 2: Reserve Margin (Singapore)**

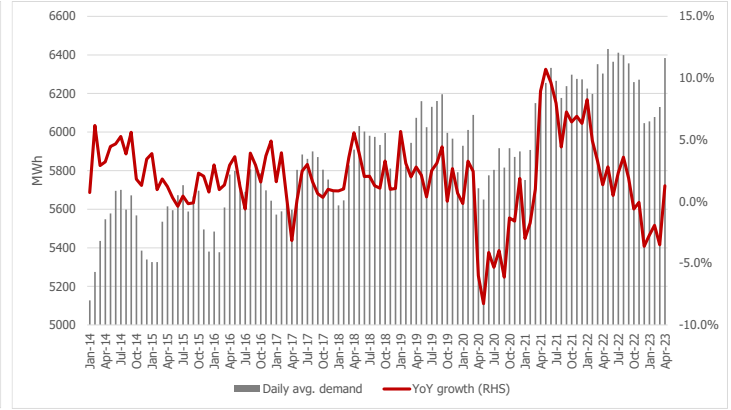


**Chart 3: Singapore electricity price trend**



Source: EMA, MIDFR

**Chart 4: Singapore electricity demand**



**Table 2: YTL Power Sum-of-Parts Valuation**

SOP Component	Enterprise Value (RM m)	Stake	Per share (RM)
Wessex Water	21,150	100%	2.59
Power Seraya	10,627	100%	1.30
PT Jawa Power	1,173	20%	0.14
Telco division	58	60%	0.01
<b>Total enterprise value</b>	<b>33,008</b>		<b>4.05</b>
Less: Group net debt	(20,474)		(2.51)
<b>Total equity value</b>	<b>12,533</b>		<b>1.54</b>

Source: Company, MIDFR

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023F</b>	<b>2024F</b>
<b>Revenue</b>	<b>10,670.3</b>	<b>10,782.8</b>	<b>17,793.9</b>	<b>19,425.8</b>	<b>20,082.4</b>
Operating expenses	(9,618.8)	(9,560.0)	(15,727.8)	(17,187.4)	(17,642.6)
<b>Operating profit</b>	<b>1,051.5</b>	<b>1,222.8</b>	<b>2,066.1</b>	<b>2,238.4</b>	<b>2,439.8</b>
Interest expense	(1,082.0)	(952.3)	(989.9)	(1,121.4)	(1,130.9)
Associates	454.2	366.0	320.2	313.9	313.9
<b>PBT</b>	<b>423.8</b>	<b>636.5</b>	<b>1,396.4</b>	<b>1,430.9</b>	<b>1,622.7</b>
Taxation	(298.2)	(735.1)	(173.6)	(286.2)	(340.8)
Minority Interest	61.0	44.4	(34.8)	34.3	38.5
Net profit	64.6	(143.1)	1,257.6	1,110.4	1,243.5
<b>Core net profit</b>	<b>328.1</b>	<b>397.4</b>	<b>152.9</b>	<b>1,110.4</b>	<b>1,243.5</b>
<b>Balance Sheet (RM'm)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023F</b>	<b>2024F</b>
PPE	21,876.5	24,200.9	24,586.0	24,852.4	24,184.3
Investments in associate	2,139.9	2,139.9	2,139.9	2,139.9	2,139.9
Others	11,610.7	11,876.2	12,184.2	12,184.2	12,184.2
<b>Non-current assets</b>	<b>35,627.1</b>	<b>38,217.0</b>	<b>38,910.1</b>	<b>39,176.5</b>	<b>38,508.4</b>
Inventories	355.2	351.2	493.1	542.8	561.1
Receivables	2,352.2	2,897.3	3,550.5	3,908.6	4,040.7
Others	4,171.8	2,016.2	1,156.7	1,156.7	1,156.7
Cash & equivalent	4,594.9	8,592.6	6,857.2	7,880.3	9,026.3
<b>Current assets</b>	<b>11,474.1</b>	<b>13,857.3</b>	<b>12,057.5</b>	<b>13,488.5</b>	<b>14,784.9</b>
Share capital	7,038.6	7,038.6	7,038.6	7,038.6	7,038.6
Minority Interest	24.7	(110.2)	(269.5)	(235.2)	(196.7)
Reserves	4,897.3	5,979.1	7,272.0	7,938.2	8,560.0
<b>Total Equity</b>	<b>11,960.6</b>	<b>12,907.4</b>	<b>14,041.1</b>	<b>14,741.6</b>	<b>15,401.8</b>
Long-term borrowings	20,083.2	25,910.9	25,259.8	25,900.5	25,737.2
Deferred tax liabilities	2,030.0	2,030.0	2,030.0	2,030.0	2,030.0
Others	2,861.4	3,893.6	3,441.2	3,441.2	3,441.2
<b>Non-current liabilities</b>	<b>24,974.6</b>	<b>31,834.5</b>	<b>30,731.0</b>	<b>31,371.8</b>	<b>31,208.5</b>
Short-term borrowings	7,968.6	4,445.0	2,454.2	2,454.2	2,454.2
Payables	2,018.3	2,685.5	3,530.3	3,886.4	4,017.8
Others	179.1	201.8	210.9	210.9	210.9
<b>Current liabilities</b>	<b>10,166.0</b>	<b>7,332.4</b>	<b>6,195.5</b>	<b>6,551.6</b>	<b>6,682.9</b>

<b>Cash Flow Statement (RM'm)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023F</b>	<b>2024F</b>
PAT	125.6	607.1	225.3	1,144.7	1,282.0
Depreciation & Amortization	1,948.2	2,168.7	2,273.4	2,370.6	2,460.2
Chgs in working capital	(4.0)	126.2	49.7	(51.8)	(19.1)
Others	(454.2)	(1,572.7)	(1,705.7)	(1,085.9)	(313.9)
<b>Operating cash flow</b>	<b>1,615.6</b>	<b>1,329.4</b>	<b>842.7</b>	<b>2,377.7</b>	<b>3,409.2</b>
Capex	(6,310.1)	(1,742.7)	(1,750.5)	(1,792.1)	(1,792.1)
Others	454.2	616.4	1,876.1	313.9	313.9
<b>Investing cash flow</b>	<b>(5,855.8)</b>	<b>(1,126.3)</b>	<b>125.6</b>	<b>(1,478.2)</b>	<b>(1,478.2)</b>
Dividends paid	(45.2)	(315.5)	(512.1)	(444.2)	(621.8)
Net movement in borrowings	1,338.1	(963.8)	(4,245.6)	640.7	(163.3)
Others	0.0	2,352.1	2,052.5	0.0	0.0
<b>Financing cash flow</b>	<b>1,292.9</b>	<b>1,072.8</b>	<b>(2,705.2)</b>	<b>196.6</b>	<b>(785.1)</b>
Net changes in cash	(2,947.3)	1,275.9	(1,736.9)	1,096.1	1,145.9
<b>Beginning cash</b>	<b>7,542.2</b>	<b>6,923.6</b>	<b>8,566.6</b>	<b>6,784.2</b>	<b>7,880.3</b>
Forex, Overdrafts & Deposits	0.0	393.2	27.5	0.0	0.0
<b>Ending cash</b>	<b>4,594.9</b>	<b>8,592.6</b>	<b>6,857.2</b>	<b>7,880.3</b>	<b>9,026.3</b>
<b>Key Ratios</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023F</b>	<b>2024F</b>
Operating profit margin	9.9%	11.3%	11.6%	11.5%	12.1%
Core net profit margin	3.1%	3.7%	0.9%	5.7%	6.2%
ROE	0.5%	3.9%	0.9%	7.4%	8.0%
ROA	0.1%	1.0%	0.3%	2.1%	2.3%
Net gearing (%)	196.1%	168.6%	148.5%	138.9%	124.4%
Book value/share (RM)	1.47	1.58	1.72	1.81	1.89
PBV (x)	0.9	0.8	0.8	0.7	0.7
PER (x)	32.3	26.7	69.3	9.5	8.5

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