

# YTL Power International Berhad

(6742 | YTLP MK) Main | Utilities

## Prime Beneficiary of RE Exports

### KEY INVESTMENT HIGHLIGHTS

- **Prime beneficiary of RE export policy**
- **Strong balance sheet positions the group well to capture opportunities for RE capacity expansion under the upcoming NETR**
- **Near term, earnings and dividends to be driven by sustained recovery at Power Seraya**
- **Maintain BUY at unchanged TP of RM1.54**

**Prime beneficiary of RE export.** YTL Power (YTLP) is well positioned to benefit from Malaysia's lifting of RE export ban; given that it also operates in the Singapore power sector (via YTL Power Seraya), it stands to reap margins from both potential RE export from Malaysia and from retailing green electricity in the Singapore market. YTL Power Seraya is a major player with a 18% share of Singapore's generation market and 14% share of the retail market. In October 2021, it was appointed as the importer for a 2-year trial period to import 100MW electricity from Malaysia via the existing interconnectors.

**Strategic asset expansion.** YTLP acquired a 664ha land in Kulai, Johor back in September 2021 - it plans to develop this into a large-scale solar power plant with 500MW capacity to power its planned green data centre. The provision of green data centre services to Singaporean MNCs provides higher value-added than outright electricity sales, in our opinion, but we believe YTLP could consider alternatives to capitalise on the RE export opportunity. We understand YTLP is currently on the prowl for land acquisitions, aiming for much larger plots than the earlier acquisition to house future expansion in its RE capacity.

**Sizeable balance sheet to capture RE opportunity.** YTL Power attains a strong balance sheet that can support expansion in its RE capacity, which was beefed up by the RM3b proceeds from sale of its 33.5% stake in Electranet recently and rising cash flows from a strong recovery in Power Seraya earnings. Meanwhile, track record and experience from operating its own data centres could be beneficial in the longer run if the country's aggressive RE drive eventually manages to attract the MNCs to setup operations in Malaysia instead.

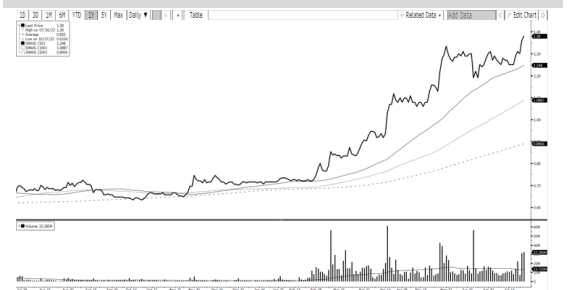
**Recommendation.** We believe YTLP is one of the key beneficiaries of progressive RE policies in the upcoming NETR, which fits in well with YTLP's strategic business realignment to focus on building RE and data centre capacity. Reaffirm **BUY** at unchanged SOP-derived **TP** of **RM1.54**. Near-term earnings will be supported by strong recovery at YTL Power Seraya amid a tight electricity market and Wessex Water's latest tariff hike in April 2023. Valuation is undemanding at just 9x FY24F PER, while dividends are attractive at 5.5%.

**Maintain BUY**
**Unchanged Target Price: RM1.54**

### RETURN STATISTICS

Price @ 26 <sup>th</sup> July 2023 (RM)	1.38
Expected share price return (%)	+11.4
Expected dividend yield (%)	5.5
<b>Expected total return (%)</b>	<b>+16.9</b>

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.4	5.6
3 months	6.2	20.6
12 months	87.8	90.5

### 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
PER (x)	73.6	10.1	9.1
DPS (sen/share)	4.5	5.4	7.6
Dividend Yield (%)	3.3	3.9	5.5

### KEY STATISTICS

FBM KLCI	1,449.29
Issue shares (m)	8102.16
Estimated free float (%)	17.51
Market Capitalisation (RM'm)	11,180.97
52-wk price range	RM0.66 - RM1.4
3-mth average daily volume (m)	13.73
3-mth average daily value (RM'm)	17.06
Top Shareholders (%)	
YTL Corp Bhd	49.08
Yeoh Tiona Lav & Sons Holdings	9.91
Amanah Saham Nasional Bhd	6.87

**Analyst**
**Hafriz Hezry**

hafriz.hezry@midf.com.my

+603 2173 8392

**Table 1: 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>
<i>Less: Group net debt</i>	<i>(20,474)</i>		<i>(2.51)</i>
<b>Total equity value</b>	<b>12,533</b>		<b>1.54</b>

Source: Company, MIDFR

## FINANCIAL SUMMARY

Income Statement (RM'm)	2020	2021	2022	2023F	2024F
<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>
Balance Sheet (RM'm)	2020	2021	2022	2023F	2024F
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	0.9	0.8	0.8	0.7
PER (x)	34.3	28.3	73.6	10.1	9.1

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