

# YTL Power International Berhad

(6742 | YTLPMK) Main | Utilities

## Another Strong Quarter

### KEY INVESTMENT HIGHLIGHTS

- **FY23 core earnings outperforms strongly**
- **Group 4QFY23 earnings up +126%yoy on the back of strong performance at Power Seraya**
- **FY24F earnings revised up +64%**
- **Re-affirm BUY at higher TP of RM2.45**

**Outperforms strongly.** YTL Power (YTLP) reported a core net profit of RM930m for its 4QFY23, bringing FY23 core earnings to RM1.8b. This was well ahead of expectations making up 164%/141% of our/consensus estimates respectively given stronger than expected performance by Power Seraya. A second interim dividend of 3.5sen was declared, bringing FY23 dividend to 6sen representing DPR of 27%.

**Key takeaways.** Group core earnings was up +126%yoy driven by improvements at Power Seraya mainly. Seraya reported a +122%yoy increase in earnings on the back of higher retail and pool prices as well as strengthening of the SGD against the RM. Investment holdings earnings was also higher in the quarter due to recognition of accrued technical service income for the Attarat Jordan power plant following commercialisation of the plant in the quarter. These were however, dragged slightly by losses at Wessex Water (mainly due to non-cash interest accruals on index linked bonds of RM54m).

**Earnings revision.** Given stronger than expected results, we raise FY24F earnings by +64% to RM2b. We also introduce FY25F earnings at RM2.2b (+9.5%yoy) to be driven by sustained earnings strength at Seraya on the back of renewal of long-term contracts in a tight market condition and gradual recovery at Wessex Water as UK cost inflation begins to peak and cost recovery through tariff adjustment kicks in. Our revised earnings also factors in contribution from the group's 45% Jordan power plant which commenced full operations late 4QFY23.

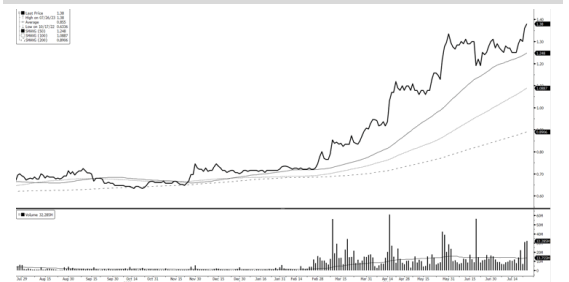
**Recommendation.** We re-affirm our **BUY** call on YTLP at higher SOP-derived **TP of RM2.45** (from RM1.54) following the earnings upgrades in this report and as we now factor in the valuation of YTLP's Jordan power plant. We like YTLP for its strategic expansion into data centre and RE. We also believe YTLP is a potential beneficiary from the strong RE growth trajectory under NETR, particularly for RE exports. Valuation is undemanding at just 7x FY24F PER while dividend yield of 7%-8% (DPR: 50%) is attractive.


**Maintain BUY**
**Revised Target Price: RM2.45**  
 (Previously RM1.54)

### RETURN STATISTICS

Price @ 24 <sup>th</sup> August 2023 (RM)	1.75
Expected share price return (%)	+40.0
Expected dividend yield (%)	7.1
<b>Expected total return (%)</b>	<b>+47.1</b>

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	11.3	6.5
3 months	6.2	22.8
12 months	95.7	98.6

### INVESTMENT STATISTICS

FYE Jun (RMm)	2023A	2024F	2025F
Revenue	21,892.5	23,540.2	24,058.2
Operating Profit	3,695.0	3,320.3	3,523.0
Profit Before Tax	2,443.2	2,506.6	2,743.6
Core PATAMI	1,822.0	2,034.9	2,227.2
Core EPS (sen/share)	22.3	25.0	27.3
PER (x)	7.8	7.0	6.4
DPS (sen/share)	6.0	12.5	13.7
Dividend Yield (%)	3.4	7.1	7.8

### KEY STATISTICS

FBM KLCI	1,444.67
Issue shares (m)	8,102.2
Estimated free float (%)	17.51
Market Capitalisation (RM'm)	14,178.9
52-wk price range	RM0.66-RM1.79
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 Lav & Sons Holdings	9.91
Amanah Saham Nasional Bhd	6.87

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**Table 1: YTL Power Sum-of-Parts Valuation**

SOP Component	Enterprise Value (RM m)	Stake	Per share (RM)
Wessex Water	21,039	100%	2.58
Power Seraya	15,674	100%	1.92
PT Jawa Power	1,173	20%	0.14
Telco division	606	60%	0.07
Attarat Jordan	2,178	45%	0.27
<b>Total enterprise value</b>	<b>40,670</b>		<b>4.99</b>
<i>Less: Group net debt</i>	<i>-20,798</i>		<i>-2.55</i>
<b>Total equity value</b>	<b>19,872</b>		<b>2.45</b>

Source: Company, MIDFR

**YTL POWER: 4QFY23 RESULT SUMMARY**

FYE Jun (RMm)	4Q22	3Q23	4Q23	QoQ	YoY	FY22	FY23	YTD
Revenue	4,536.5	5,357.5	7,087.8	32.3%	56.2%	17,804.7	21,892.5	23.0%
Operating profit	572.8	996.5	1,669.4	67.5%	191.5%	2,297.3	3,695.0	60.8%
Interest expense	(270.0)	(432.9)	(436.6)	0.9%	61.7%	(989.9)	(1,580.1)	59.6%
Associates	125.7	46.8	119.2	154.7%	-5.2%	334.6	328.3	-1.9%
<b>PBT</b>	<b>428.4</b>	<b>610.4</b>	<b>1,352.0</b>	<b>121.5%</b>	<b>215.6%</b>	<b>1,642.0</b>	<b>2,443.2</b>	<b>48.8%</b>
Tax	(43.7)	(102.8)	(191.6)	86.4%	338.1%	(187.3)	(416.8)	122.5%
PAT	384.7	507.6	1,160.4	128.6%	201.7%	1,454.7	2,026.4	39.3%
Minority Interest	(27.7)	(12.0)	30.2	351.7%	209.1%	(22.1)	4.4	120.1%
Net profit	412.4	519.6	1,130.2	117.5%	174.1%	1,476.8	2,022.0	36.9%
<b>Core net profit</b>	<b>412.4</b>	<b>519.6</b>	<b>930.2</b>	<b>79.0%</b>	<b>125.6%</b>	<b>1,476.8</b>	<b>1,822.0</b>	<b>23.4%</b>
Core EPS (sen)	5.09	6.41	11.48	79.0%	125.6%	18.23	22.49	
GDPS (sen)	2.50	2.50	3.50			4.50	6.00	
Operating margin	12.6%	18.6%	23.6%			12.9%	16.9%	
PBT margin	9.4%	11.4%	19.1%			9.2%	11.2%	
Tax rate	10.2%	16.8%	14.2%			11.4%	17.1%	
Core net profit margin	9.1%	9.7%	13.1%			8.3%	9.2%	

FYE Jun (RMm)	4Q22	3Q23	4Q23	QoQ	YoY	FY22	FY23	QoQ
<b>Revenue:</b>	<b>4,536.5</b>	<b>5,357.5</b>	<b>7,087.8</b>			<b>17,804.7</b>	<b>21,892.5</b>	
Multi utilities business (merchant)	3,286.4	4,120.1	5,246.4	27.3%	59.6%	12,721.0	16,217.0	27.5%
Water and sewerage	1,030.3	995.5	1,181.3	18.7%	14.6%	4,109.5	4,265.8	3.8%
Telco business	128.3	109.3	241.8	121.3%	88.5%	678.0	602.7	-11.1%
Investment holding	91.6	132.5	418.3	215.7%	356.9%	296.2	807.1	172.5%
<b>PBT:</b>	<b>428.4</b>	<b>610.4</b>	<b>1,352.0</b>			<b>1,642.0</b>	<b>2,443.2</b>	
Multi utilities business (merchant)	481.9	806.4	1,067.4	32.4%	121.5%	690.3	2,465.1	257.1%
Water and sewerage	13.5	(47.2)	(57.0)	-20.7%	-520.5%	378.0	-94.8	-125.1%
Telco business	(60.4)	(103.2)	(8.9)	-91.4%	-85.4%	-196.7	-268.0	-36.2%
Investment Holding	(6.6)	(45.6)	350.4	868.3%	5390.3%	770.4	340.8	-55.8%
<b>PBT Margin (%)</b>				<b>ppts</b>	<b>ppts</b>			<b>ppts</b>
Power generation (contracted)	NA	NA	NA			NA	NA	
Multi utilities business (merchant)	14.7%	19.6%	20.3%	0.8	5.7	5.4%	15.2%	9.8
Water and sewerage	1.3%	-4.7%	-4.8%	-0.1	-6.1	9.2%	-2.2%	-11.4
Telco business	-47.1%	-94.4%	-3.7%	90.8	43.4	-29.0%	-44.5%	-15.4
Investment Holding	-7.2%	-34.4%	83.8%	118.2	91.0	260.1%	42.2%	-217.9

## FINANCIAL SUMMARY

Income Statement (RM'm)	2021	2022	2023	2024F	2025F
<b>Revenue</b>	<b>10,782.8</b>	<b>17,793.9</b>	<b>21,892.5</b>	<b>23,540.2</b>	<b>24,058.2</b>
Operating expenses	(9,560.0)	(15,727.8)	(18,197.5)	(20,219.9)	(20,535.3)
<b>Operating profit</b>	<b>1,222.8</b>	<b>2,066.1</b>	<b>3,695.0</b>	<b>3,320.3</b>	<b>3,523.0</b>
Interest expense	(952.3)	(989.9)	(1,580.1)	(1,413.7)	(1,405.7)
Associates	366.0	320.2	328.3	600.0	626.3
<b>PBT</b>	<b>636.5</b>	<b>1,396.4</b>	<b>2,443.2</b>	<b>2,506.6</b>	<b>2,743.6</b>
Taxation	(735.1)	(173.6)	(416.8)	(451.2)	(493.8)
Minority Interest	44.4	(34.8)	4.4	20.6	22.5
Net profit	(143.1)	1,257.6	2,022.0	2,034.9	2,227.2
<b>Core net profit</b>	<b>397.4</b>	<b>152.9</b>	<b>1,822.0</b>	<b>2,034.9</b>	<b>2,227.2</b>
Balance Sheet (RM'm)	2021	2022	2023	2024F	2025F
PPE	24,200.9	24,586.0	24,852.4	24,184.3	23,426.6
Investments in associate	2,139.9	2,139.9	2,139.9	2,139.9	2,139.9
Others	11,876.2	12,184.2	17,092.8	17,092.8	17,092.8
<b>Non-current assets</b>	<b>38,217.0</b>	<b>38,910.1</b>	<b>44,085.1</b>	<b>43,417.0</b>	<b>42,659.3</b>
Inventories	351.2	493.1	639.2	657.7	672.2
Receivables	2,897.3	3,550.5	4,602.6	4,736.5	4,840.7
Others	2,016.2	1,156.7	829.2	829.2	829.2
Cash & equivalent	8,592.6	6,857.2	8,999.4	7,393.4	9,117.0
<b>Current assets</b>	<b>13,857.3</b>	<b>12,057.5</b>	<b>15,070.4</b>	<b>13,616.8</b>	<b>15,459.1</b>
Share capital	7,038.6	7,038.6	7,038.6	7,038.6	7,038.6
Minority Interest	(110.2)	(269.5)	(371.0)	(350.5)	(328.0)
Reserves	5,979.1	7,272.0	9,733.1	10,750.5	11,864.1
<b>Total Equity</b>	<b>12,907.4</b>	<b>14,041.1</b>	<b>16,400.6</b>	<b>17,438.6</b>	<b>18,574.7</b>
Long-term borrowings	25,910.9	25,259.8	28,417.0	25,124.2	24,969.0
Deferred tax liabilities	2,030.0	2,030.0	2,030.0	2,030.0	2,030.0
Others	3,893.6	3,441.2	4,148.2	4,148.2	4,148.2
<b>Non-current liabilities</b>	<b>31,834.5</b>	<b>30,731.0</b>	<b>34,595.2</b>	<b>31,302.4</b>	<b>31,147.2</b>
Short-term borrowings	4,445.0	2,454.2	3,067.3	3,067.3	3,067.3
Payables	2,685.5	3,530.3	4,576.5	4,709.6	4,813.2
Others	201.8	210.9	515.9	515.9	515.9
<b>Current liabilities</b>	<b>7,332.4</b>	<b>6,195.5</b>	<b>8,159.7</b>	<b>8,292.8</b>	<b>8,396.4</b>

<b>Cash Flow Statement (RM'm)</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024F</b>	<b>2025F</b>
PAT	(98.7)	1,222.8	2,026.4	2,055.4	2,249.7
Depreciation & Amortization	2,168.7	2,273.4	2,370.6	2,460.2	2,549.8
Chgs in working capital	126.2	49.7	(152.1)	(19.3)	(15.1)
Others	(866.9)	(2,703.3)	(786.3)	(600.0)	(626.3)
<b>Operating cash flow</b>	<b>1,329.4</b>	<b>842.7</b>	<b>3,458.6</b>	<b>3,896.3</b>	<b>4,158.1</b>
Capex	(1,742.7)	(1,750.5)	(1,792.1)	(1,792.1)	(1,792.1)
Others	616.4	1,876.1	(742.9)	600.0	626.3
<b>Investing cash flow</b>	<b>(1,126.3)</b>	<b>125.6</b>	<b>(2,535.0)</b>	<b>(1,192.1)</b>	<b>(1,165.7)</b>
Dividends paid	(315.5)	(512.1)	(616.3)	(1,017.4)	(1,113.6)
Net movement in borrowings	(963.8)	(4,245.6)	3,770.3	(3,292.8)	(155.1)
Others	2,352.1	2,052.5	(2,687.8)	0.0	0.0
<b>Financing cash flow</b>	<b>1,072.8</b>	<b>(2,705.2)</b>	<b>466.1</b>	<b>(4,310.3)</b>	<b>(1,268.8)</b>
Net changes in cash	1,275.9	(1,736.9)	1,389.8	(1,606.1)	1,723.6
<b>Beginning cash</b>	<b>6,923.6</b>	<b>8,566.6</b>	<b>6,784.2</b>	<b>8,727.1</b>	<b>7,121.0</b>
Forex, Overdrafts & Deposits	393.2	27.5	825.4	272.3	272.3
<b>Ending cash</b>	<b>8,592.6</b>	<b>6,857.2</b>	<b>8,999.4</b>	<b>7,393.4</b>	<b>9,117.0</b>
<b>Key Ratios</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024F</b>	<b>2025F</b>
Operating profit margin	11.3%	11.6%	16.9%	14.1%	14.6%
Core net profit margin	3.7%	0.9%	8.3%	8.6%	9.3%
ROE	3.9%	0.9%	9.2%	11.4%	11.8%
ROA	1.0%	0.3%	2.6%	3.6%	3.8%
Net gearing (%)	168.6%	148.5%	137.1%	119.3%	101.9%
Book value/share (RM)	1.58	1.72	2.01	2.14	2.28
PBV (x)	1.1	1.0	0.9	0.8	0.8
PER (x)	35.9	93.4	7.8	7.0	6.4

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