

YTL Power International Berhad

(6742 | YTLP MK) Main | Utilities

Maintain BUY

Strikes A Deal with Nvidia

Unchanged Target Price: RM2.99

KEY INVESTMENT HIGHLIGHTS

- **Strikes a deal with Nvidia for AI data centre**
- **Strategic edge with access to H100 GPUs**
- **Ample room in Phase 1 rollout to cater for additional capacity**
- **Maintain BUY at TP of RM2.99**

Strikes a deal with Nvidia. According to a press statement, YTL Power's (YTLP) 60%-owned YTL Communications is collaborating with Nvidia to develop artificial intelligence (AI) infrastructure powered by Nvidia's technologies. The infrastructure will be hosted at YTLP's data centre park in Kulai, Johor and is intended to provide AI computing services to the country.

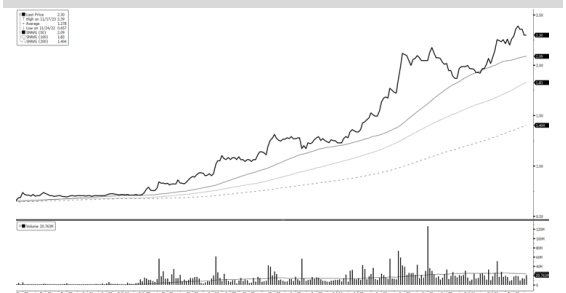
Obtains a strategic edge. An AI data centre is essentially a specialised facility designed to support computational and storage requirements of AI applications. AI data centres typically incorporate high-performance computing hardware, such as GPUs (Graphics Processing Units) or TPUs (Tensor Processing Units), which are specifically designed to handle intense computational demands of machine learning and deep learning tasks. Nvidia's H100 GPU is in high demand (with lead time reportedly up to 52 weeks) given leading edge generative AI capabilities and are critical components of advanced data centers, hence getting access to these hardware gives YTLP a strong advantage. Additionally, the H100 is currently banned for sale in China given US trade sanctions, which could partly explain the influx of data center investments into ASEAN.

Ample room to cater for additional capacity. No further official details on capacity or capex were released on the deal, but the first phase of the AI data centre is expected to be operational by mid-CY24. We reckon it could be part of YTLP's Phase 1 data centre rollout which could explain the rather short time to operationalisation. Sea Ltd has committed to be the anchor tenant for 32MW of the initial 48MW capacity being constructed with the first 8MW of the 32MW expected to come onstream in 1QCY24, while the remaining is to be rolled out over the next 3 years till CY27. However, the entire Phase 1 facility could accommodate up to 72MW capacity suggesting ample room to cater for the AI data centre. YTLP's 664ha Kulai land is slated to accommodate long-term targets of 500MW data centre capacity and 500MW solar generation capacity to power the data centres. Capex for the first 48MW of YTL's Green Data Centre is estimated at ~RM1.27b, or RM26m/MW. We reckon capex for the AI data centre could entail a premium given more advanced hardware to be employed.

RETURN STATISTICS

Price @ 8 th Dec 2023 (RM)	2.42
Expected share price return (%)	+23.4
Expected dividend yield (%)	7.4
Expected total return (%)	+30.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	15.0	13.6
3 months	12.2	30.6
12 months	238.2	249.5

INVESTMENT STATISTICS

FYE Jun (RMm)	2023A	2024F	2025F
Revenue	21,892.5	23,540.2	24,058.2
Operating Profit	3,695.0	4,591.2	4,795.0
Profit Before Tax	2,443.2	3,577.6	3,815.6
Core PATAMI	1,822.0	2,904.3	3,097.5
Core EPS (sen/share)	22.3	35.6	38.0
PER (x)	10.8	6.8	6.4
DPS (sen/share)	6.0	17.8	19.0
Dividend Yield (%)	2.5	7.4	7.8

KEY STATISTICS

FBM KLCI	1,441.97
Issue shares (m)	8102.15
Estimated free float (%)	23.06
Market Capitalisation (RM'm)	19,607.20
52-wk price range	RM0.66-RM2.44
3-mth average daily volume (m)	24.13
3-mth average daily value (RM'm)	50.38
Top Shareholders (%)	
YTL Corp Bhd	49.08
Yeoh Tiong Lay & Sons Holdings	9.91
Cornerstone Crest Sdn Bhd	6.49

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Recommendation. We keep our numbers pending further clarity on the deal but view this broadly as a positive development. Reaffirm **BUY** on YTL at unchanged SOP-derived **TP of RM2.99**. We continue to like YTL for: (1) Exposure to recovery in the Singapore electricity market, (2) Strategic expansion into data centre and RE. We also believe YTL is a potential beneficiary of the strong RE growth trajectory under NETR, particularly for RE exports given its presence in the Singapore power sector. Valuation is undemanding at just 6.8x FY24F PER while dividend yield of 7.4% (DPR: 50%) is attractive. 

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	19,493	100%	2.39
PT Jawa Power	1,173	20%	0.14
Telco division	606	60%	0.07
Attarat Jordan	2,178	45%	0.27
Ranhill Utilities (Equity value)	220	19%	0.03
Total enterprise value	44,709		5.48
<i>Less: Group net debt</i>	<i>-20,355</i>		<i>-2.50</i>
Total equity value	24,355		2.99

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021	2022	2023	2024F	2025F
Revenue	10,782.8	17,793.9	21,892.5	23,540.2	24,058.2
Operating expenses	(9,560.0)	(15,727.8)	(18,197.5)	(18,949.0)	(19,263.3)
Operating profit	1,222.8	2,066.1	3,695.0	4,591.2	4,795.0
Interest expense	(952.3)	(989.9)	(1,580.1)	(1,413.7)	(1,405.7)
Associates	366.0	320.2	328.3	400.0	426.3
PBT	636.5	1,396.4	2,443.2	3,577.6	3,815.6
Taxation	(735.1)	(173.6)	(416.8)	(644.0)	(686.8)
Minority Interest	44.4	(34.8)	4.4	29.3	31.3
Net profit	(143.1)	1,257.6	2,022.0	2,904.3	3,097.5
Core net profit	397.4	152.9	1,822.0	2,904.3	3,097.5
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
Non-current assets	38,217.0	38,910.1	44,085.1	43,417.0	42,659.3
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	7,836.8	10,004.4
Current assets	13,857.3	12,057.5	15,070.4	14,060.2	16,346.5
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)	(341.7)	(310.4)
Reserves	5,979.1	7,272.0	9,733.1	11,185.2	12,734.0
Total Equity	12,907.4	14,041.1	16,400.6	17,882.1	19,462.1
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
Non-current liabilities	31,834.5	30,731.0	34,595.2	31,302.4	31,147.2
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
Current liabilities	7,332.4	6,195.5	8,159.7	8,292.8	8,396.4

Cash Flow Statement (RM'm)	2021	2022	2023	2024F	2025F
PAT	(98.7)	1,222.8	2,026.4	2,933.6	3,128.8
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)	(400.0)	(426.3)
Operating cash flow	1,329.4	842.7	3,458.6	4,974.5	5,237.2
Capex	(1,742.7)	(1,750.5)	(1,792.1)	(1,792.1)	(1,792.1)
Others	616.4	1,876.1	(742.9)	400.0	426.3
Investing cash flow	(1,126.3)	125.6	(2,535.0)	(1,392.1)	(1,365.7)
Dividends paid	(315.5)	(512.1)	(616.3)	(1,452.1)	(1,548.8)
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
Financing cash flow	1,072.8	(2,705.2)	466.1	(4,745.0)	(1,703.9)
Net changes in cash	1,275.9	(1,736.9)	1,389.8	(1,162.6)	2,167.6
Beginning cash	6,923.6	8,566.6	6,784.2	8,727.1	7,564.5
Forex, Overdrafts & Deposits	393.2	27.5	825.4	272.3	272.3
Ending cash	8,592.6	6,857.2	8,999.4	7,836.8	10,004.4
Key Ratios	2021	2022	2023	2024F	2025F
Operating profit margin	11.3%	11.6%	16.9%	19.5%	19.9%
Core net profit margin	3.7%	0.9%	8.3%	12.3%	12.9%
ROE	3.9%	0.9%	9.2%	15.9%	15.7%
ROA	1.0%	0.3%	2.6%	5.1%	5.2%
Net gearing (%)	168.6%	148.5%	137.1%	113.8%	92.7%
Book value/share (RM)	1.58	1.72	2.01	2.19	2.39
PBV (x)	1.5	1.4	1.2	1.1	1.0
PER (x)	49.7	129.1	10.8	6.8	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