

# YTL Power International Berhad

(6742 | YTLP MK) Main | Utilities

**Maintain BUY**

## Within Expectations, Proxy to AI Data Center

**Revised Target Price: RM6.35**  
(Previously RM4.22)

### KEY INVESTMENT HIGHLIGHTS

- **Notwithstanding weaker sequential earnings, 9MFY24 result came in within expectations**
- **Peaking Seraya earnings on lower pool prices and retail contract renewal**
- **Gradual recovery seen at Wessex Water, awaiting kicker from data centres**
- **Maintain BUY at higher TP of RM6.35**

**Within expectations.** YTL Power's (YTLP) 9MFY24 result came in within expectations. The group reported 3QFY24 net profit of RM699m, bringing 9MFY24 net profit to 2.4b, making up 77%/78% of our/consensus' full year estimates. An interim dividend of 3sen/share was declared.

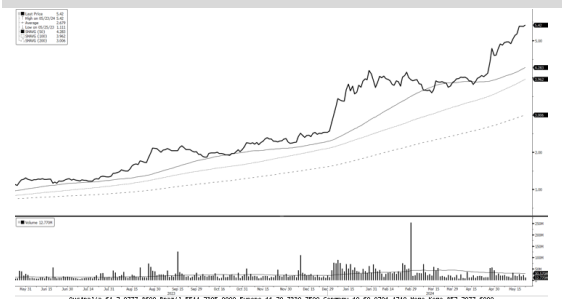
**Key takeaways.** Group PBT declined -20%qoq on the back of a -4%qoq decline in revenue mainly dragged by Seraya. As highlighted in the previous quarter, Seraya's earnings looks to have peaked and in 3QFY24, registered a decline of -19%qoq given lower pool prices and gradual renewal of retail contracts at lower prices. While Seraya locks in an estimated 70%-80% of volumes into 1.5-2.0-year retail contracts, we expect margins to gradually normalise as these contracts gradually reach expiry. Nevertheless, we believe earnings could sustain at current levels in the near-term before the next batch of expiry kicks in. On the bright side, Wessex Water saw narrower LBT of -RM51m (+26%qoq) as UK inflation continues to ease resulting in gradually easing cost and interest accruals on index-linked bonds. The annual tariff revision in April coupled with easing inflation rate is expected to drive further improvement in Wessex Water's earnings in 4QFY24.

**Data centres the next kicker.** The group's venture into data centres (DC) is expected to provide the next leg of upside for YTLP though we expect some gestation before it takes off meaningfully. Phase 1 of its DC rollout entails a targeted capacity of 48MW of which Sea Ltd has committed to be the anchor tenant for 32MW co-location capacity. Rollout is expected to be gradual with the first 8MW having been commissioned early-May with further additions of 8MW per annum thereafter. Details are still scarce on the NVIDIA AI DC which is parked under 60%-owned YTL Communications. It has a medium-term target of hitting 100MW AI DC capacity though this could involve much higher capex (estimated at USD4b or RM180m/MW) given more advanced hardware employed, especially for NVIDIA's H100 & GB200 GPUs, compared to an estimated RM25-30m/MW for a typical IT load DC. Management indicated that there is already firm commitment for the first 20MW AI DC while it is still in negotiations to secure end-customer take-up for the remaining 80MW AI DC capacity. In the longer term, YTLP's 664ha Kulai land is able to accommodate up to 500MW DC capacity.

### RETURN STATISTICS

Price @ 23 <sup>rd</sup> May 2024 (RM)	5.38
Expected share price return (%)	+18.0
Expected dividend yield (%)	+2.1
<b>Expected total return (%)</b>	<b>+20.2</b>

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	34.5	28.8
3 months	40.1	28.0
12 months	359.3	300.3

### INVESTMENT STATISTICS

FYE Jun (RMm)	2023A	2024F	2025F
Revenue	21,892.5	23,540.2	24,058.2
Operating Profit	3,695.0	4,869.7	4,943.7
Profit Before Tax	2,443.2	3,847.3	3,859.8
Core PATAMI	1,822.0	3,123.3	3,133.4
Core EPS (sen/share)	22.3	38.3	38.4
PER (x)	24.1	14.0	14.0
DPS (sen/share)	6.0	11.5	11.5
Dividend Yield (%)	1.1	2.1	2.1

### KEY STATISTICS


FBM KLCI	1,629.18
Issue shares (m)	8102.15
Estimated free float (%)	23.37
Market Capitalisation (RM'm)	44,130.54
52-wk price range	RM1.14-RM5.47
3-mth average daily volume (m)	31.07
3-mth average daily value (RM'm)	128.38
Top Shareholders (%)	
YTL Corp Bhd	48.84
Yeoh Tiong Lay & Sons Holdings	9.90
Cornerstone Crest Sdn Bhd	6.46

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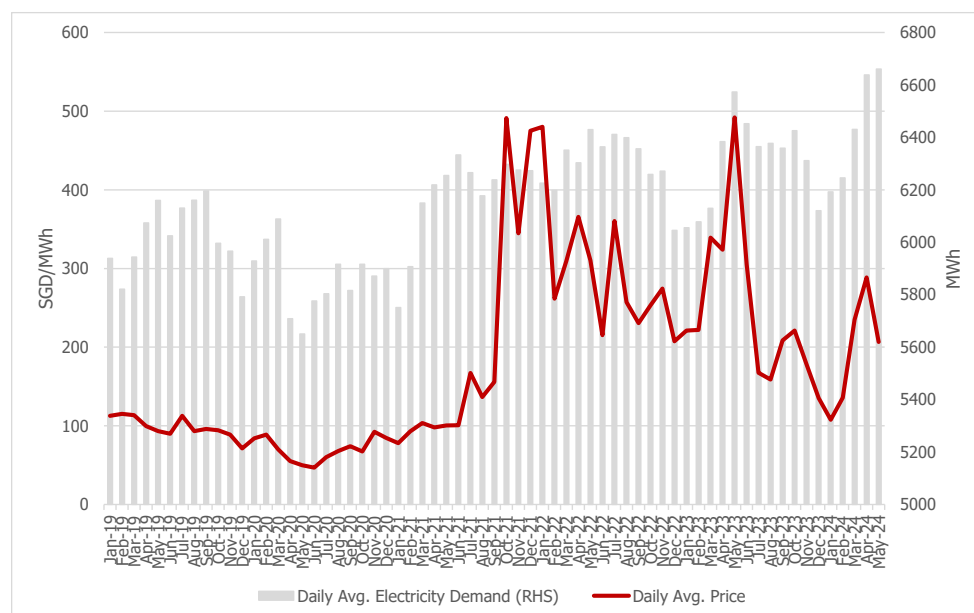
**Maintain BUY.** While there is no change to FY24/25F earnings, we lift Power Seraya's longer term earnings (FY27F and beyond) to reflect higher EBITDA margin of close to SGD60/MWh, which we believe is a sustainable long-term margin post-earnings normalisation. This compares to our conservative ~SGD50/MWh long-term margin assumption previously. All in, we lift our SOP-derived TP to **RM6.35** (from RM4.22) reflecting: (1) Higher valuations for Seraya on more favourable long-term margin assumptions, (2) Higher valuation for Wessex Water as we switch to EV/RCV valuation method, valuing Wessex Water at 1.1x EV/RCV in line with peer valuation, (3) Higher valuation for the telco division as we switch to asset-based valuation, (4) Higher value of YTLP's stake in Ranhill Utilities to reflect the latter's latest share price. Our revised TP implies 16.5x FY25F PER, which remains below +1SD against YTLP's 10-year mean valuation of 12.4x. We continue to like YTLP for its strategic expansion into data centre and RE. We also believe YTLP is a potential beneficiary of the strong RE growth trajectory under NETR, particularly for RE exports given its presence in the Singapore power sector. Any potential listing of YTLP's key assets could accelerate value recognition in the stock, in our opinion. 

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

SOP Component	Enterprise Value (RM m)	Stake	Per share (RM)	Method
Wessex Water	28,337	100%	3.47	1.1x EV/RCV
Power Seraya	28,207	100%	3.46	DCF (WACC: 8%)
PT Jawa Power	1,181	20%	0.14	DCF (WACC: 9%)
Telco division	1,843	60%	0.23	Asset Value
Attarat Jordan (Equity value)	2,178	45%	0.27	DCF (WACC: 9%)
Ranhill Utilities (Equity value)	337	19%	0.04	Based on prevailing market cap
Data Centre (Equity Value)	7,805	100%/60%	0.96	DCF (WACC: 7%) (48MW Co-location & 100MW AI DC)
SG Hydro-CCGT 600MW (Equity Value)	1,785	100%	0.22	DCF (WACC: 7%)
<b>Total enterprise value</b>	<b>71,674</b>		<b>8.79</b>	
Less: Group net debt	-19,984		-2.45	
<b>Total equity value</b>	<b>51,690</b>		<b>6.35</b>	

Source: Company, MIDFR

**Chart 1: Singapore Spot Electricity Price Trend**



Source: EMA, MIDFR

**YTL POWER: 9MFY24 RESULT SUMMARY**

FYE Jun (RMm)	3Q23	2Q24	3Q24	QoQ	YoY	9M23	9M24	YTD
Revenue	5,357.5	5,373.6	5,159.8	-4.0%	-3.7%	14,804.7	15,979.1	7.9%
Operating profit	996.5	1,431.2	1,166.3	-18.5%	17.0%	2,025.6	4,040.7	99.5%
Interest expense	(432.9)	(456.7)	(439.1)	-3.9%	1.4%	(1,143.5)	(1,382.7)	20.9%
Associates	46.8	50.4	91.9	82.6%	96.6%	209.2	217.4	4.0%
<b>PBT</b>	<b>610.4</b>	<b>1,024.8</b>	<b>819.2</b>	<b>-20.1%</b>	<b>34.2%</b>	<b>1,091.2</b>	<b>2,875.5</b>	<b>163.5%</b>
Tax	(102.8)	(164.7)	(137.7)	-16.4%	34.0%	(225.3)	(483.5)	114.7%
PAT	507.6	860.2	681.5	-20.8%	34.2%	866.0	2,391.9	176.2%
Minority Interest	(12.0)	15.0	(17.2)	-214.5%	-43.6%	(25.8)	0.2	100.8%
Net profit	519.6	845.1	698.7	-17.3%	34.5%	891.7	2,391.7	168.2%
<b>Core net profit</b>	<b>519.6</b>	<b>845.1</b>	<b>698.7</b>	<b>-17.3%</b>	<b>34.5%</b>	<b>891.7</b>	<b>2,391.7</b>	<b>168.2%</b>
Core EPS (sen)	6.41	10.43	8.62	-17.3%	34.5%	11.66	29.52	153.1%
GDPS (sen)	2.50	0.00	3.00			2.50	3.00	
Operating margin	18.6%	26.6%	22.6%			13.7%	25.3%	
PBT margin	11.4%	19.1%	15.9%			7.4%	18.0%	
Tax rate	16.8%	16.1%	16.8%			20.6%	16.8%	
Core net profit margin	9.7%	15.7%	13.5%			6.0%	15.0%	

FYE Jun (RMm)	3Q23	2Q24	3Q24	QoQ	YoY	9M23	9M24	QoQ
<b>Revenue:</b>	<b>5,357.5</b>	<b>5,373.6</b>	<b>5,159.8</b>			<b>14,804.7</b>	<b>15,979.1</b>	
Multi utilities business (merchant)	4,120.1	3,750.8	3,572.7	-4.7%	-13.3%	10,970.5	11,119.8	1.4%
Water and sewerage	995.5	1,192.4	1,236.8	3.7%	24.2%	3,084.5	3,643.5	18.1%
Telco business	109.3	180.8	96.8	-46.5%	-11.5%	360.9	461.9	28.0%
Investment holding	132.5	249.6	253.6	1.6%	91.4%	388.8	753.9	93.9%
<b>PBT:</b>	<b>610.4</b>	<b>1,024.8</b>	<b>819.2</b>			<b>1,091.2</b>	<b>2,875.5</b>	
Multi utilities business (merchant)	806.4	1,033.6	842.8	-18.5%	4.5%	1,397.8	2,901.5	107.6%
Water and sewerage	(47.2)	(69.5)	(51.2)	26.3%	-8.6%	(37.8)	(155.5)	-310.9%
Telco business	(103.2)	(66.1)	(123.1)	-86.3%	-19.3%	(259.1)	(260.6)	-0.6%
Investment Holding	(45.6)	126.8	150.7	18.9%	430.4%	-9.6	390.0	4163.9%
<b>PBT Margin (%)</b>				<b>ppts</b>	<b>ppts</b>			<b>ppts</b>
Multi utilities business (merchant)	19.6%	27.6%	23.6%	-4.0	4.0	12.7%	26.1%	13.4
Water and sewerage	-4.7%	-5.8%	-4.1%	1.7	0.6	-1.2%	-4.3%	-3.0
Telco business	-94.4%	-36.5%	-127.2%	-90.6	-32.8	-71.8%	-56.4%	15.4
Investment Holding	-34.4%	50.8%	59.4%	8.6	93.8	-2.5%	51.7%	54.2

Source: Company, MIDFR

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024F</b>	<b>2025F</b>
<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)	(18,670.5)	(19,114.5)
<b>Operating profit</b>	<b>1,222.8</b>	<b>2,066.1</b>	<b>3,695.0</b>	<b>4,869.7</b>	<b>4,943.7</b>
Interest expense	(952.3)	(989.9)	(1,580.1)	(1,422.4)	(1,510.3)
Associates	366.0	320.2	328.3	400.0	426.3
<b>PBT</b>	<b>636.5</b>	<b>1,396.4</b>	<b>2,443.2</b>	<b>3,847.3</b>	<b>3,859.8</b>
Taxation	(735.1)	(173.6)	(416.8)	(692.5)	(694.8)
Minority Interest	44.4	(34.8)	4.4	31.5	31.7
Net profit	(143.1)	1,257.6	2,022.0	3,123.3	3,133.4
<b>Core net profit</b>	<b>397.4</b>	<b>152.9</b>	<b>1,822.0</b>	<b>3,123.3</b>	<b>3,133.4</b>
<b>Balance Sheet (RM'm)</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024F</b>	<b>2025F</b>
PPE	24,200.9	24,586.0	24,852.4	24,671.8	28,764.1
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>43,904.5</b>	<b>47,996.8</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	8,435.7	9,880.7
<b>Current assets</b>	<b>13,857.3</b>	<b>12,057.5</b>	<b>15,070.4</b>	<b>14,659.1</b>	<b>16,222.8</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)	(339.5)	(307.8)
Reserves	5,979.1	7,272.0	9,733.1	11,919.3	14,112.7
<b>Total Equity</b>	<b>12,907.4</b>	<b>14,041.1</b>	<b>16,400.6</b>	<b>18,618.4</b>	<b>20,843.4</b>
Long-term borrowings	25,910.9	25,259.8	28,417.0	25,474.2	28,801.5
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>31,652.4</b>	<b>34,979.7</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	3,154.8	3,165.0
Depreciation & Amortization	2,168.7	2,273.4	2,370.6	2,472.7	2,699.8
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)
<b>Operating cash flow</b>	<b>1,329.4</b>	<b>842.7</b>	<b>3,458.6</b>	<b>5,208.1</b>	<b>5,423.4</b>
Capex	(1,742.7)	(1,750.5)	(1,792.1)	(2,292.1)	(6,792.1)
Others	616.4	1,876.1	(742.9)	400.0	426.3
<b>Investing cash flow</b>	<b>(1,126.3)</b>	<b>125.6</b>	<b>(2,535.0)</b>	<b>(1,892.1)</b>	<b>(6,365.7)</b>
Dividends paid	(315.5)	(512.1)	(616.3)	(937.0)	(940.0)
Net movement in borrowings	(963.8)	(4,245.6)	3,770.3	(2,942.8)	3,327.4
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>(3,879.8)</b>	<b>2,387.3</b>
Net changes in cash	1,275.9	(1,736.9)	1,389.8	(563.7)	1,445.0
<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>8,163.4</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>8,435.7</b>	<b>9,880.7</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%	20.7%	20.5%
Core net profit margin	3.7%	0.9%	8.3%	13.3%	13.0%
ROE	3.9%	0.9%	9.2%	16.5%	14.8%
ROA	1.0%	0.3%	2.6%	5.3%	4.9%
Net gearing (%)	168.6%	148.5%	137.1%	108.0%	105.5%
Book value/share (RM)	1.58	1.72	2.01	2.28	2.56
PBV (x)	3.4	3.1	2.7	2.4	2.1
PER (x)	110.4	287.0	24.1	14.0	14.0

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