

YTL Power International Berhad

(6742 | YTLP MK) Main | Utilities

Maintain BUY

Surprise from Wessex and Telco Business

Revised Target Price: RM6.20
(Previously RM6.35)

KEY INVESTMENT HIGHLIGHTS

- **FY24 earnings exceed expectations**
- **Lower generation units from Seraya but pool prices higher**
- **Within timeline in receiving NVIDIA chips for AI DC**
- **Maintain BUY with a revised TP of RM6.20**

Exceed expectations. YTL Power's (YTLP) FY24 result came in above expectations. The group reported a 4QFY24 net profit of RM1.07b, bringing cumulative 12-month core net profit of FY24 to RM3.45b, exceeding our/consensus full year estimates by 10.5%/9.6%. An interim dividend of 4 sen/share was declared, bringing FY24's DPS to 7 sen.

Key takeaways. Group revenue rose +22.9%qoq, leading to a +51.3%qoq surge in PBT on the back of a surprise rebounds into the black during the quarter by Wessex Water and the group's telco business. These managed to surpass the slightly lower PBT by Power Seraya of -6.8%qoq and led to a higher PBT during the quarter. There were slightly lower generation units sold by Power Seraya on top of higher overhead due to bonus payments and ESOS but these were offset by higher pool prices during the quarter. Management guided that it is able to maintain its market share and that margins are stable. As for Wessex Water, it benefited from the 12% tariff increase in Apr-24 while the telco business rebounded due to the ongoing progress of its RM947m Point of Presence (PoP) project laying fibreoptic cables in Sabah.

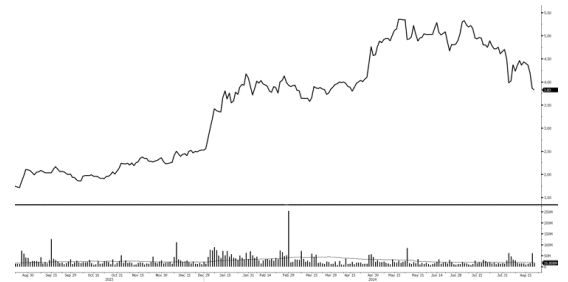
Delay in AI DC coming online? Clarifying the concerns surrounding potential delays in Nvidia's Blackwell chips as the latter revamps the design reportedly due to a design flaw, management guided that they were still well within the timeline of receiving the supply by 1QCY25. The NVIDIA AI DC which is parked under 60%-owned YTL Communications, 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. In the longer term, YTLP's 664ha Kulai land is able to accommodate up to 500MW DC capacity.

Plans for Ranhill Utilities. As part of the transition phase after acquiring a controlling stake in Ranhill Utilities, management meetings are being held with the respective divisions of YTLP's latest subsidiary. Among plans were to improve water treatment, supply and the facilities. YTLP had recently appointed five new directors to the board. Tan Sri Hamdan Mohamad resigned as group CEO yesterday, about three weeks after stepping down as executive chairman, together with several other board members.

RETURN STATISTICS

Price @ 21 st Aug 2024 (RM)	3.75
Expected share price return (%)	+65.3
Expected dividend yield (%)	+1.1
Expected total return (%)	+66.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-20.2	-20.4
3 months	-20.5	-29.6
12 months	112.8	88.3

INVESTMENT STATISTICS

FYE Jun (RMm)	2023A	2024A	2025F
Revenue	21,892.5	22,320.5	23,683.4
Operating Profit	3,695.0	6,084.1	4,861.3
Profit Before Tax	2,443.2	4,114.6	3,777.3
Core PATAMI	1,822.0	3,450.6	3,066.4
Core EPS (sen/share)	22.3	42.59	37.6
PER (x)	24.1	8.8	10.0
DPS (sen/share)	6.0	7.0	7.0
Dividend Yield (%)	1.1	1.1	1.1

KEY STATISTICS

FBM KLCI	1,635.32
Issue shares (m)	8102.15
Estimated free float (%)	23.68
Market Capitalisation (RM'm)	31,425.53
52-wk price range	RM1.72-RM5.47
3-mth average daily volume (m)	20.57
3-mth average daily value (RM'm)	98.02
Top Shareholders (%)	
YTL Corp Bhd	48.47
Yeoh Tiong Lay & Sons Holdings	9.86
Cornerstone Crest Sdn Bhd	6.41

Analyst

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Maintain BUY. We adjust our FY25F earnings slightly by only -2.1%, to account for lower generation units by Power Seraya in FY24 followed by a gradual improvement in following years. We have previously adjusted 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. All in, including YTL's stake in Ranhill, we lower our SOP-derived TP to **RM6.20** (from RM6.35). Our revised TP implies 16.5x FY25F PER, which remains below +1SD against YTL's 10-year mean valuation of 12.4x. We continue to like YTL for its 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. Any potential listing of YTL'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	26,747	100%	3.28	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)	738	53%	0.09	MIDF TP
Data Centre (Equity Value)	7,763	100%/60%	0.95	DCF (WACC: 7%) (48MW Co-location & 100MW AI DC)
SG Hydro-CCGT 600MW (Equity Value)	1,785	100%	0.22	DCF (WACC: 7%)
Total enterprise value	70,572		8.65	
Less: Group net debt	-20,022		-2.46	
Total equity value	50,550		6.20	

Source: Company, MIDFR

YTL POWER: FY24 RESULT SUMMARY

FYE Jun (RMm)	4QFY23	3QFY24	4QFY24	QoQ	YoY	FY23	FY24	YTD
Revenue	7,085.8	5,159.8	6,341.4	22.9%	-10.5%	21,890.5	22,320.5	2.0%
Operating profit	1,671.7	1,166.3	1,594.4	36.7%	-4.6%	3,697.3	5,635.1	52.4%
Interest expense	(436.6)	(439.1)	(402.6)	-8.3%	-7.8%	(1,580.1)	(1,785.3)	13.0%
Associates	123.2	91.9	47.4	-48.5%	-61.5%	332.3	264.8	-20.3%
PBT	1,358.3	819.2	1,239.2	51.3%	-8.8%	2,449.5	4,114.6	68.0%
Tax	(191.7)	(137.7)	(120.7)	-12.3%	-37.0%	(416.9)	(604.3)	44.9%
PAT	1,166.6	681.5	1,118.4	64.1%	-4.1%	2,032.6	3,510.3	72.7%
Minority Interest	30.4	(17.2)	46.0	367.1%	51.6%	4.6	46.2	905.6%
Net profit	1,136.3	698.7	1,072.4	53.5%	-5.6%	2,028.0	3,464.1	70.8%
Core net profit	936.3	698.7	1,072.4	53.5%	14.5%	1,828.0	3,450.6	88.8%
Core EPS (sen)	11.56	8.62	13.24	53.5%	14.5%	22.56	42.59	88.8%
GDPS (sen)	3.50	3.00	3.00				3.00	
Operating margin	23.6%	22.6%	25.1%			16.9%	25.2%	
PBT margin	19.2%	15.9%	19.5%			11.2%	18.4%	
Tax rate	14.1%	16.8%	9.7%			17.0%	14.7%	
Core net profit margin	13.2%	13.5%	16.9%			9.3%	15.5%	

FYE Jun (RMm)	4QFY23	3QFY24	4QFY24	QoQ	YoY	FY23	FY24	YTD
Revenue:	7,085.8	5,159.8	6,341.4			21,890.5	22,320.5	
Multi utilities business (merchant)	5,246.4	3,572.7	4,121.3	15.4%	-21.4%	16,217.0	15,241.2	-6.0%
Water and sewerage	1,181.3	1,236.8	1,570.1	27.0%	32.9%	4,265.8	5,213.7	22.2%
Telco business	239.7	96.8	315.5	226.1%	31.6%	600.6	777.5	29.4%
Investment holding	418.3	253.6	334.4	31.8%	-20.1%	807.1	1,088.3	34.8%
PBT:	1,358.3	819.2	1,239.2			2,449.5	4,114.6	
Multi utilities business (merchant)	1,066.2	842.8	785.2	-6.8%	-26.4%	2,464.0	3,686.7	49.6%
Water and sewerage	(57.0)	(51.2)	69.0	234.6%	221.1%	(94.8)	(86.5)	-8.8%
Telco business	(9.5)	(123.1)	37.5	130.4%	494.2%	(268.6)	(223.1)	-16.9%
Investment Holding	358.5	150.7	347.5	130.6%	-3.1%	348.9	737.5	111.4%
PBT Margin (%)				ppts	ppts			ppts
Multi utilities business (merchant)	20.3%	23.6%	19.1%	-4.5	-1.3	15.2%	24.2%	9.0
Water and sewerage	-4.8%	-4.1%	4.4%	8.5	9.2	-2.2%	-1.7%	0.6
Telco business	-4.0%	-127.2%	11.9%	139.0	15.8	-44.7%	-28.7%	16.0
Investment Holding	85.7%	59.4%	103.9%	44.5	18.2	43.2%	67.8%	24.5

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021	2022	2023	2024A	2025F
Revenue	10,782.8	17,793.9	21,892.5	22,320.5	23,683.4
Operating expenses	(9,560.0)	(15,727.8)	(18,197.5)	(16,236.4)	(18,822.1)
Operating profit	1,222.8	2,066.1	3,695.0	6,084.1	4,861.3
Interest expense	(952.3)	(989.9)	(1,580.1)	(1,785.3)	(1,510.3)
Associates	366.0	320.2	328.3	264.8	426.3
PBT	636.5	1,396.4	2,443.2	4,114.6	3,777.3
Taxation	(735.1)	(173.6)	(416.8)	(604.3)	(679.9)
Minority Interest	44.4	(34.8)	4.4	46.2	31.0
Net profit	(143.1)	1,257.6	2,022.0	3,464.1	3,066.4
Core net profit	397.4	152.9	1,822.0	3,450.6	3,066.4
Balance Sheet (RM'm)	2021	2022	2023	2024A	2025F
PPE	24,200.9	24,586.0	24,852.4	31,400.4	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	16,876.9	17,092.8
Non-current assets	38,217.0	38,910.1	44,085.1	50,417.2	47,996.8
Inventories	351.2	493.1	639.2	988.5	691.9
Receivables	2,897.3	3,550.5	4,602.6	5,107.5	4,982.1
Others	2,016.2	1,156.7	829.2	1,380.6	590.7
Cash & equivalent	8,592.6	6,857.2	8,999.4	8,889.9	9,793.4
Current assets	13,857.3	12,057.5	15,070.4	16,366.5	16,058.0
Share capital	7,038.6	7,038.6	7,038.6	7,091.9	7,038.6
Minority Interest	(110.2)	(269.5)	(371.0)	(99.6)	(309.2)
Reserves	5,979.1	7,272.0	9,733.1	13,011.1	14,016.9
Total Equity	12,907.4	14,041.1	16,400.6	20,003.4	20,746.2
Long-term borrowings	25,910.9	25,259.8	28,417.0	30,378.8	28,801.5
Deferred tax liabilities	2,030.0	2,030.0	2,030.0	3,372.4	2,030.0
Others	3,893.6	3,441.2	4,148.2	4,078.7	4,148.2
Non-current liabilities	31,834.5	30,731.0	34,595.2	37,829.9	34,979.7
Short-term borrowings	4,445.0	2,454.2	3,067.3	2,009.6	3,067.3
Payables	2,685.5	3,530.3	4,576.5	5,228.7	4,953.8
Others	201.8	210.9	515.9	1,712.3	307.7
Current liabilities	7,332.4	6,195.5	8,159.7	8,950.5	8,328.8

Cash Flow Statement (RM'm)	2021	2022	2023	2024A	2025F
PAT	(98.7)	1,222.8	2,026.4	3,510.3	3,097.4
Depreciation & Amortization	2,168.7	2,273.4	2,370.6	1,251.9	2,699.8
Chgs in working capital	126.2	49.7	(152.1)	(8.8)	(15.7)
Others	(866.9)	(2,703.3)	(786.3)	(289.1)	(426.3)
Operating cash flow	1,329.4	842.7	3,458.6	4,464.2	5,355.1
Capex	(1,742.7)	(1,750.5)	(1,792.1)	(2,292.1)	(6,792.1)
Others	616.4	1,876.1	(742.9)	(624.3)	426.3
Investing cash flow	(1,126.3)	125.6	(2,535.0)	(2,916.3)	(6,365.8)
Dividends paid	(315.5)	(512.1)	(616.3)	(529.4)	(919.9)
Net movement in borrowings	(963.8)	(4,245.6)	3,770.3	(811.5)	3,327.4
Others	2,352.1	2,052.5	(2,687.8)	(255.2)	0.0
Financing cash flow	1,072.8	(2,705.2)	466.1	(1,596.1)	2,407.4
Net changes in cash	1,275.9	(1,736.9)	1,389.8	(48.2)	1,396.8
Beginning cash	6,923.6	8,566.6	6,784.2	8,727.1	8,737.8
Forex, Overdrafts & Deposits	393.2	27.5	825.4	58.9	272.3
Ending cash	8,592.6	6,857.2	8,999.4	8,737.8	10,407.0
Key Ratios	2021	2022	2023	2024A	2025F
Operating profit margin	11.3%	11.6%	16.9%	25.2%	20.5%
Core net profit margin	3.7%	0.9%	8.3%	15.5%	12.9%
ROE	3.9%	0.9%	9.2%	16.1%	14.6%
ROA	1.0%	0.3%	2.6%	5.2%	4.8%
Net gearing (%)	168.6%	148.5%	137.1%	117.5%	106.4%
Book value/share (RM)	1.58	1.72	2.01	2.45	2.54
PBV (x)	3.4	3.1	2.7	1.5	1.5
PER (x)	110.4	287.0	24.1	10.1	10.1

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