

YTL Power International Berhad

(6742 | YTLPMK) Utilities | Power Generation

Anticipating Some Near-Term Weakness

KEY INVESTMENT HIGHLIGHTS

- **3QFY20 was ahead of our estimate but within consensus, core earnings down -9%yoy dragged by absence of Bestarinet contribution mainly**
- **Attarat Jordan shale power plant completion affected by pandemic outbreak**
- **FY21F tweaked lower to reflect delay in Attarat COD, but FY20F unchanged as weakness expected in 4QFY20**
- **TP unchanged at RM0.70, but downgrade to NEUTRAL as stock is already trading close to our TP**

Ahead of estimates. YTLPM reported 3Q20 core net profit of RM101m, which brought 9MFY19 core earnings to RM264m. This was slightly above our estimates but within consensus, at 82% and 72% of FY20F respectively. The deviation mainly due to lower than expected losses at Seraya year-to-date. Group earnings were down 9%yoy and 37%ytd. The lower earnings year-to-date was mainly due to larger losses at the telco division due to expiry of the Bestarinet project which expired in FY19.

Power generation. The power generation division (which reflects the Paka short-term PPA extension till June 2021) saw revenue fall 5%yoyo in 3QFY20 due to lower energy payment. However, pretax was relatively stable at circa RM14m-RM15m as this is mainly driven by capacity payment which remains stable.

Seraya. Pretax losses narrowed to RM38m in 3QFY20 vs RM87m in the same period last year despite lower revenues (-39%yoy). This was mainly due to higher fuel oil tanking lease rates, higher retail and ancillary margin and lower depreciation charges. According to EMA of Singapore, supply capacity is expected to contract by 7%/4% in 2020/21 while reserve margins are expected to reduce to 21% by 2023 from 33% in 2020. Coupled with consolidation of players (following YTLPM's purchase of the Tuaspring plant previously owned by Hyflux), underlying sector dynamics should improve. However, the macro weakness following the pandemic outbreak could drag near-term performance.

Attarat Jordan power plant delayed. Construction of YTLPM's Attarat oil shale fired power plant in Jordan (owned via 45% stake in Attarat Power Company, APCO) is seeing delays vs. the scheduled COD in June 2020. This is due to the pandemic outbreak which led to restrictions on works at the site. As such, APCO will be invoking the force majeure provisions of the PPA. We gather however, that this will not involve any significant cost overruns.

Downgrade to NEUTRAL

(from BUY)

Unchanged Target Price: RM0.70

RETURN STATISTICS

Price @ 16 th June 2020 (RM)	0.70
Expected share price return (%)	0.0
Expected dividend yield (%)	+4.7
Expected total return (%)	+4.7

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	4.5	-3.4
3 months	13.9	10.7
12 months	-15.8	-9.1

KEY STATISTICS

FBM KLCI	1517.71
Syariah compliant	No
Issue shares (m)	7675.30
Estimated free float (%)	19.37
Market Capitalisation (RM'm)	5,334.33
52-wk price range	RM0.48 - RM0.84
Beta vs FBM KLCI (x)	1.13
Monthly velocity (%)	0.00
Monthly volatility (%)	11.84
3-mth average daily volume (m)	3.57
3-mth average daily value (RM'm)	2.25
Top Shareholders (%)	
YTL Corp Bhd	48.66
Yeoh Tiong Lay & Sons Holdings	9.85
Cornerstone Crest Sdn Bhd	6.45

Analyst(s)

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INVESTMENT STATISTICS

FYE Jun	FY18	FY19	FY20F	FY21F	FY22F
Revenue (RM'm)	10,589.7	11,677.1	12,380.5	12,793.0	13,079.6
EBIT (RM'm)	1,613.8	1,479.7	1,208.1	1,306.6	1,421.1
Pre-tax Profit (RM'm)	943.2	733.7	421.4	451.7	503.8
Core net profit (RM'm)	763.6	543.6	321.8	359.5	413.3
FD EPS (sen)	10.0	7.1	4.2	4.7	5.4
EPS growth (%)	13.4	(28.8)	(40.8)	11.7	15.0
PER (x)	7.0	9.8	16.6	14.9	13.0
Net Dividend (sen)	5.0	5.0	2.9	3.3	3.8
Net Dividend Yield (%)	7.1	7.1	4.2	4.7	5.4

Source: Company, MIDFR

Earnings revision. We tweak lower our FY21F by -14% to reflect the delay in operations of the Attarat oil shale power plant, which we had earlier expected to commence operation from June 2020. The new COD (commercial operation date) for Attarat has yet to be confirmed, but for now we assume the plant to come on-stream towards mid-FY21F. Our FY20F remains unchanged as we expect weakness in 4QFY20 given lockdowns in Singapore following the pandemic outbreak which may impact short-term electricity demand and business operations.

Recommendation. Following a 13% share price appreciation since our last upgrade, YTL is now trading at close to our **TP of RM0.70**, which remains unchanged. As such, we now downgrade YTL to **NEUTRAL** from BUY previously. 

YTL POWER: 3QFY20 RESULTS SUMMARY

FYE Jun (RMm)	3Q19	2Q20	3Q20	QoQ	YoY	9M19	9M20	YTD
Revenue	2,887.6	2,795.6	2,590.5	-7.3%	-10.3%	8,618.4	8,345.6	-3.2%
EBIT	343.1	273.0	275.4	0.9%	-19.7%	1,025.9	854.6	-16.7%
Interest expense	(279.6)	(280.7)	(266.3)	-5.2%	-4.8%	(850.9)	(836.2)	-1.7%
Associates	103.9	110.2	106.5	-3.3%	2.6%	312.1	307.3	-1.5%
PBT	167.3	102.4	115.6	12.9%	-30.9%	487.1	325.8	-33.1%
Tax	(28.0)	(32.8)	(34.6)	5.4%	23.3%	(96.0)	(105.0)	9.4%
PAT	139.3	69.6	81.1	16.4%	-41.8%	391.0	220.7	-43.5%
Minority Interest	28.0	(0.6)	10.3	-1679.5%	-63.4%	81.7	12.3	-84.9%
Net profit	111.3	70.3	70.8	0.8%	-36.4%	309.3	208.4	-32.6%
Core net profit	111.5	84.2	101.4	20.3%	-9.1%	416.3	264.1	-36.6%
Core EPS (sen)	1.46	1.10	1.33			5.44	3.45	
GDPS (sen)	0.00	0.00	0.00			0.00	0.00	
EBIT margin	11.9%	9.8%	10.6%			11.9%	10.2%	
PBT margin	5.8%	3.7%	4.5%			5.7%	3.9%	
Tax rate	16.8%	32.0%	29.9%			19.7%	32.2%	
Net profit margin	3.9%	2.5%	2.7%			3.6%	2.5%	

Revenue:	3Q19	2Q20	3Q20	QoQ	YoY	9M19	9M20	QoQ
Power generation (contracted)	193.9	222.6	117.6	-47.1%	-39.3%	594.5	548.8	-7.7%
Multi utilities business (merchant)	1,562.9	1,492.5	1,368.8	-8.3%	-12.4%	4,588.0	4,553.7	-0.7%
Water and sewerage	818.5	891.5	879.0	-1.4%	7.4%	2,544.5	2,627.7	3.3%
Telco business	229.4	98.9	149.3	51.0%	-34.9%	634.9	345.8	-45.5%
Investment holding	82.8	90.2	75.7	-16.1%	-8.6%	256.5	269.6	5.1%
PBT:	2,887.6	2,795.6	2,590.5			8,618.4	8,345.6	
Power generation (contracted)	14.8	15.7	14.1	-10.2%	-4.5%	41.7	43.5	4.3%
Multi utilities business (merchant)	(86.5)	(48.4)	(37.7)	-22.0%	-56.4%	-219.6	-155.2	-29.3%
Water and sewerage	178.1	189.1	152.6	-19.3%	-14.3%	577.8	536.8	-7.1%
Telco business	(9.9)	(107.2)	(43.3)	-59.6%	335.4%	-28.3	-220.2	677.0%
Investment Holding	70.9	53.1	29.9	-43.7%	NA	115.5	120.9	4.7%
PBT Margin (%)	167.3	102.4	115.6			487.1	325.8	
Power generation (contracted)	7.6%	7.1%	12.0%			7.0%	7.9%	
Multi utilities business (merchant)	-5.5%	-3.2%	-2.8%			-4.8%	-3.4%	
Water and sewerage	21.8%	21.2%	17.4%			22.7%	20.4%	
Telco business	-4.3%	-108.4%	-29.0%			-4.5%	-63.7%	
Investment Holding	85.6%	58.9%	39.5%			45.0%	44.8%	

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.