YTL Power International Berhad

Maintain BUY

(6742 | YTLP MK) Main | Utilities

Potential beneficiary of RE Export Ban Review

***Unchanged* Target Price: RM1.12**

DEVELOPMENT

- Minister of Natural Resources, Environment and Climate Change indicated that the Government is reviewing the current renewable energy export ban, which was put in place in October 2021.

OUR VIEW

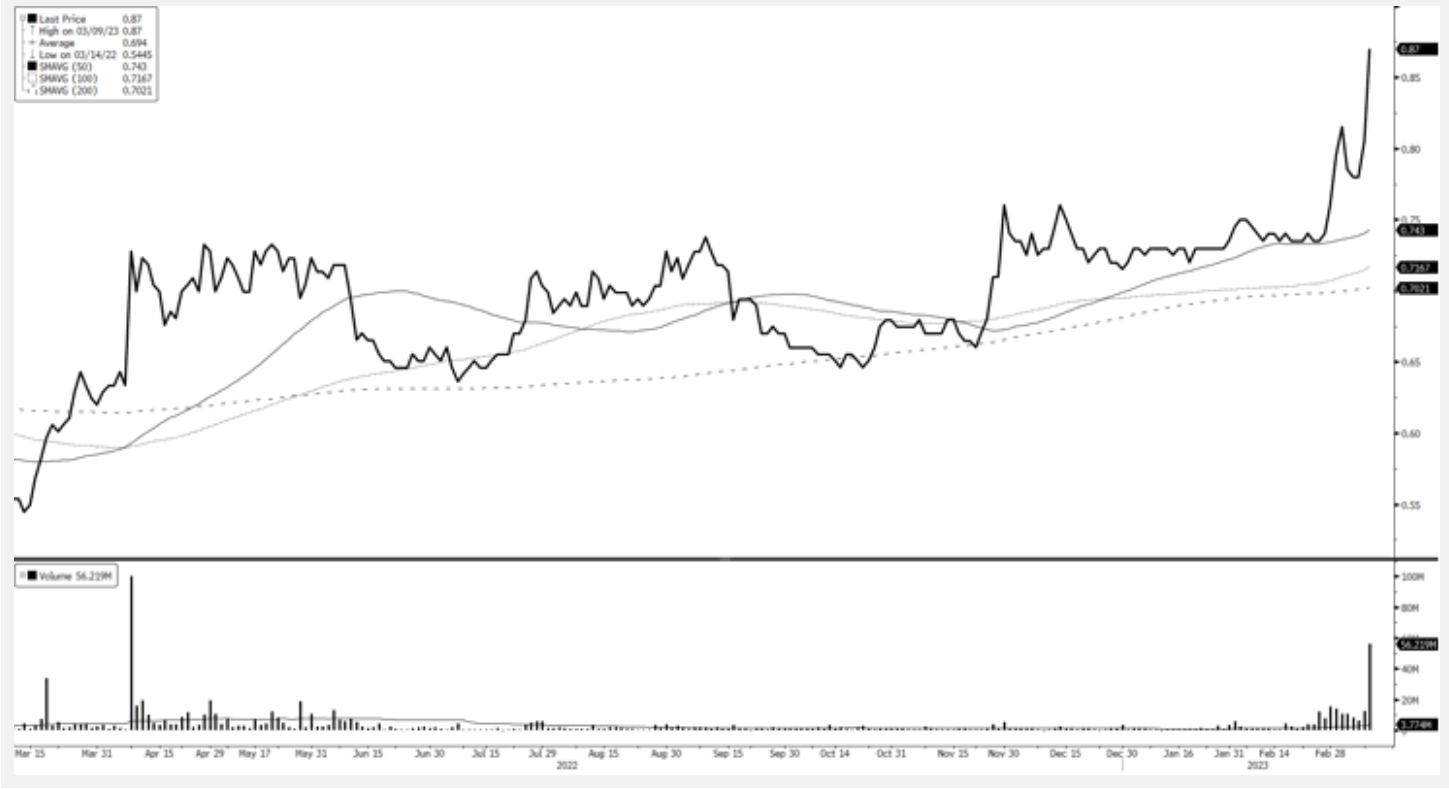
- **A quick recap**. To recap, in October 2021, YTL Power's (YTLP) wholly-owned subsidiary YTL Power Seraya was appointed the electricity importer for a 2-year trial period to import 100MW of electricity from Malaysia via existing interconnectors. This follows a request for proposal (RFP) process held in March 2021 by Singapore's Energy Market Authority (EMA). Soon after however, a new ruling was put in place by the Malaysian Government to ban renewable energy (RE) exports to Singapore.
- **Singapore power import plans.** Singapore aims to import up to 4GW of clean electricity by 2035 (i.e., 300-500MW by 2025, 2200-2500MW by 2030 & 3500-4000MW by 2035), which is expected to make up around 30% of electricity supply then. Currently, Singapore's generation capacity is dominated by gas power plants. Given lack of access to RE, the electricity imports scheme is expected to allow Singapore to tap RE sources from other countries. The initial 100MW trial import is mainly to test the existing interconnection capability and refine the technical framework, we understand. Following this, the EMA has issued another RFP for 1.2GW of imports to begin in 2027, with a submission deadline on 29th December 2023. The RFP has attracted 20 proposals from 4 countries namely Malaysia, Indonesia, Laos and Thailand.
- **Attractive market prices.** Singapore's wholesale electricity prices have increased substantially since 4Q21 driven by tighter demand-supply and rising fuel cost. According to EMA's projections, Singapore's electricity supply is expected to reduce by 6%yoy to 11.1GW in 2023 leading to a gap down in reserve margins to a range of 29%-34% from 46%-53% in prior years. In January 2023, average wholesale electricity prices stood at SGD0.22/kwh (RM0.74/kwh), while regulated retail tariff by EMA is set at SGD0.29/kwh (RM0.96/kwh). Again, these are predominantly represented by gas power plant capacity. Retail 'green electricity' plans (typically comprising solar and carbon neutral electricity) range from SGD0.32-0.45/kwh (RM1.07-1.50/kwh). These compare well against Malaysia's base tariff of RM0.39/kwh (essentially retail tariff) and LSS4 tariff of ~RM0.20/kwh (essentially wholesale tariff).
- **Review of export ban is a positive.** Plans to review the current RE export ban is a positive for YTLP as it should pave way for the group to participate in upcoming power import tenders by the Singaporean authority, while broadly, the power export to Singapore could support investment and development of solar+storage in Malaysia. YTLP has a strong advantage versus Malaysian peers, given that it is the only Malaysian company operating electricity generation and retailing in Singapore. Importantly, while the RFP requires non-intermittent supply, the EMA acknowledges the cost of generation and storage technology for variable RE and is willing to consider lower load factor (vs. requirement of 75%) in the initial years of supply.
- **YTLP could consider alternatives.** YTLP acquired a 664ha land in Kulai in September 2021 - it plans to develop this into a large-scale solar power plant with 500MW capacity powering its planned green data centre. The provision of green data centre services to Singaporean MNCs provides higher value-added than outright electricity sales, in our opinion, but we believe YTLP could consider alternatives for its planned power export to Singapore. This includes sourcing power from 3rd parties with Seraya focusing mainly on retailing (this reduces capex requirement), or outright acquisition of new landbanks for new solar farm setups. Broadly, we view this latest development as a potential positive for YTLP - maintain **BUY** on **YTLP** at unchanged SOP-derived **TP of RM1.12.**

INVESTMENT STATISTICS

Annual Standardized Year end 31 June	2020A	2021A	2022A	2023F	2024F
Revenue	10,670.3	10,782.8	17,793.9	18,950.8	19,045.9
Operating Profit	1,051.5	1,222.8	2,066.1	1,662.7	1,973.3
Profit Before Tax	423.8	636.5	1,396.4	855.2	1,156.2
Core Earnings	328.1	397.4	152.9	608.8	661.4
Core EPS	4.0	4.9	1.9	7.5	8.1
DPS	0.0	4.5	4.5	4.5	5.7
Dividend Yield	0.0	5.2	5.2	5.1	6.5

Source: Company, MIDFR

SHARE PRICE CHART



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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 *rise* 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 *fall* 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