YTL Power International Berhad

(6742 | YTLP MK) Main | Utilities

Normalising Earnings from Seraya

***Maintain* BUY**

***Revised* Target Price: RM5.64**

(Previously RM6.20)

KEY INVESTMENT HIGHLIGHTS

- **1QFY25 earnings within expectations**
- **Normalisation of earnings from Seraya; Wessex Water continues to benefit from tariff increase**
- **Another 8MW DC coming online by end-2024**
- **Maintain BUY with a revised TP of RM5.64**

Within expectations. YTL Power's (YTLP) 1QFY25 result came in within expectations. The group recorded a core net profit of RM763.9b (-9.9%yoy), which makes up 24.9%/24.2% of our/consensus full year estimates.

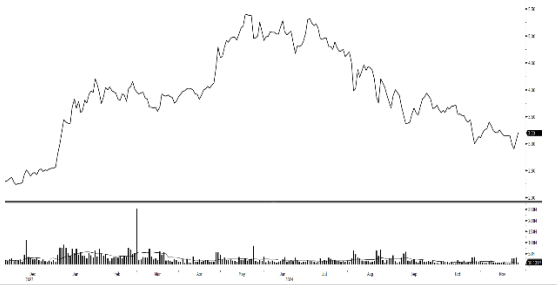
Key takeaways. The decline in core earnings, despite an increase in revenue by +4.4%yoy to RM5.68b, was attributable to weaker earnings from Power Seraya, mainly due to lower pool and retail prices in Singapore, which led to a -27.2%yoy decline in PBT to RM746.7m. This was, however, comparable to the immediately preceding quarter with only a -4.9%qoq decline. Seraya locks in an estimated 70%-80% of volumes into 1.5-2.0-year retail contracts, margins are expected to gradually normalise as these contracts reach expiry. Management guided that margins would remain stable. Meanwhile, Wessex Water continued to benefit from the 12% tariff increase since Apr-24. Coupled with the contribution from Ranhill Utilities, the Water & Sewerage segment recorded a PBT of RM55.3m, rebounding from a loss of -RM34.8m in the same quarter last year. The telco business, while still in the red, saw a narrower loss before tax of -RM24.6m as compared to -RM71.5m in 1QFY24, mainly from higher project revenue. Investment holding activities recorded a loss before tax of -RM112.6m but this was mainly due to an unrealised forex loss of about -RM270m from a shareholder loan extended to the Jordan project entity. Reversing this item shows a PBT of RM157.4m.

DC updates. Following the commissioning of the first 8MW in May-24, management guided that the second phase of another 8MW will be operational by Dec-24, an accelerated timeline as compared to the initial target of mid-2025. Recall that Sea Ltd has committed to be the anchor tenant for 32MW of the initial 48MW capacity data centre (DC) being constructed in Johor. Management is keeping its options open for the remaining 16MW capacity to either be a colocation or an AI DC. In the longer term, YTLP's 664ha Kulai land is able to accommodate up to 500MW DC capacity, of which 100MW is for AI DC. Management expect 20MW of the AI DC to be fully fitted by 1QCY25 and 80MW to be partially fitted by 2QCY5.

Plans for Ranhill Utilities. YTLP is still mum about Ranhill Utilities but hinted at major changes to the water industry. High level discussions are ongoing, which includes the Ministry of Energy Transition and Water

RETURN STATISTICS	
Price @ 26th Nov 2024 (RM)	3.20
Expected share price return (%)	+76.3
Expected dividend yield (%)	+2.2
Expected total return (%)	**+78.5**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.7	7.7
3 months	-12.6	-18.4
12 months	40.4	26.8

INVESTMENT STATISTICS

FYE Jun (RMm)	2024A	2025E	2026A
Revenue	22,320.5	23,683.4	23,705.2
Operating Profit	6,084.1	4,861.3	3,972.2
Profit Before Tax	4,114.6	3,777.3	2,791.3
Core PATAMI	3,450.6	3,066.4	2,266.0
Core EPS (sen/share)	42.59	37.4	27.6
PER (x)	8.6	8.6	11.6
DPS (sen/share)	7.0	7.0	7.0
Dividend Yield (%)	2.2	2.2	2.2

KEY STATISTICS	
FBM KLCI	1,603.15
Issue shares (m)	8195.86
Estimated free float (%)	23.72
Market Capitalisation (RM'm)	26,275.78
52-wk price range	RM2.16-RM5.47
3-mth average daily volume (m)	15.42
3-mth average daily value (RM'm)	53.84
Top Shareholders (%)	
YTL Corp Bhd	48.43
Yeoh Tiong Lay & Sons Holdings	9.85
Cornerstone Crest Sdn Bhd	6.41

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Transformation (PETRA) and the National Water Services Commission (SPAN). This will include issues such as water sources, distribution constraints and plans to build new water treatment plants.

Maintain BUY. We maintain our FY25E earnings, and we introduce FY26F. 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. As we roll-forward our valuation base year to FY26F, we adjust our SOP-derived TP to **RM5.64** (from RM6.20). Our revised TP implies 11.6x FY26F PER, which remains below 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.

Table 1: YTL Power Sum-of-Parts Valuation

SOP Component	Enterprise Value (RM m)	Stake	Per share (RM)	Method
Wessex Water	29,188	100%	3.58	*1.1x EV/RCV*
Power Seraya	24,913	100%	3.05	*DCF (WACC: 8%)*
PT Jawa Power	853	20%	0.10	*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	**69,260**		**8.49**	
Less: Group net debt	-23,245		-2.85	
Total equity value	**46,015**		**5.64**	

Source: Company, MIDFR

YTL POWER: 1QFY25 RESULT SUMMARY

FYE Jun (RMm)	1Q24	4Q24	1Q25	QoQ	YoY
Revenue	5,445.7	6,341.4	5,683.5	-10.4%	4.4%
Operating profit	1,443.2	1,594.4	941.6	-40.9%	-34.8%
Interest expense	(486.9)	(402.6)	(392.2)	-2.6%	-19.4%
Associates	75.1	47.4	115.4	143.7%	53.6%
PBT	**1,031.5**	**1,239.2**	**664.8**	**-46.4%**	**-35.6%**
Tax	(181.2)	(120.7)	(154.1)	27.7%	-14.9%
PAT	850.3	1,118.4	510.6	-54.3%	-39.9%
Minority Interest	2.4	46.0	40.0	-13.0%	1573.4%
Net profit	847.9	1,072.4	470.6	-56.1%	-44.5%
Core net profit	**847.9**	**1,072.4**	**763.9**	**-28.8%**	**-9.9%**
Core EPS (sen)	10.47	13.24	9.43	-28.8%	-9.9%
GDPS (sen)	0.00	3.00	3.00		
Operating margin	26.5%	25.1%	16.6%		
PBT margin	18.9%	19.5%	11.7%		
Tax rate	17.6%	9.7%	23.2%		
Core net profit margin	15.6%	16.9%	13.4%		

FYE Jun (RMm)	1Q24	4Q24	1Q25	QoQ	YoY
Revenue:	**5,445.7**	**6,341.4**	**5,683.5**		
Multi utilities business (merchant)	3,796.3	4,121.3	3,268.3	-20.7%	-13.9%
Water and sewerage	1,214.3	1,570.1	1,737.5	10.7%	43.1%
Telco business	184.4	315.5	233.8	-25.9%	26.8%
Investment holding	250.7	334.4	443.9	32.7%	77.1%
PBT:	**1,031.5**	**1,239.2**	**934.8**		
Multi utilities business (merchant)	1,025.1	785.2	746.7	-4.9%	-27.2%
Water and sewerage	(34.8)	69.0	55.3	-19.9%	-258.9%
Telco business	(71.5)	37.5	(24.6)	-165.6%	-65.6%
Investment Holding	112.6	347.5	157.4	-54.7%	39.8%
PBT Margin (%)				***ppts***	***ppts***
Multi utilities business (merchant)	27.0%	19.1%	22.8%	*3.8*	*-4.2*
Water and sewerage	-2.9%	4.4%	3.2%	*-1.2*	*6.0*
Telco business	-38.8%	11.9%	-10.5%	*-22.4*	*28.2*
Investment Holding	44.9%	103.9%	35.5%	*-68.5*	*-9.5*

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024A	2025E	2026F
Revenue	**17,793.9**	**21,892.5**	**22,320.5**	**23,683.4**	**23,705.2**
Operating expenses	(15,727.8)	(18,197.5)	(16,236.4)	(18,822.1)	(19,733.0)
Operating profit	**2,066.1**	**3,695.0**	**6,084.1**	**4,861.3**	**3,972.2**
Interest expense	(989.9)	(1,580.1)	(1,785.3)	(1,510.3)	(1,655.0)
Associates	320.2	328.3	264.8	426.3	474.1
PBT	**1,396.4**	**2,443.2**	**4,114.6**	**3,777.3**	**2,791.3**
Taxation	(173.6)	(416.8)	(604.3)	(679.9)	(502.4)
Minority Interest	(34.8)	4.4	46.2	31.0	22.9
Net profit	1,257.6	2,022.0	3,464.1	3,066.4	2,266.0
Core net profit	**152.9**	**1,822.0**	**3,450.6**	**3,066.4**	**2,266.0**

Balance Sheet (RM'm)	2022A	2023A	2024A	2025E	2026F
PPE	24,586.0	24,852.4	31,400.4	28,764.1	31,541.7
Investments in associate	2,139.9	2,139.9	2,139.9	2,139.9	2,139.9
Others	12,184.2	17,092.8	16,876.9	17,092.8	17,048.7
Non-current assets	**38,910.1**	**44,085.1**	**50,417.2**	**47,996.8**	**50,730.4**
Inventories	493.1	668.2	988.5	691.9	692.5
Receivables	3,550.5	4,812.0	5,107.5	4,982.1	4,986.7
Others	1,156.7	590.7	1,380.6	590.7	590.7
Cash & equivalent	6,857.2	8,999.4	8,889.9	9,793.4	11,085.1
Current assets	**12,057.5**	**15,070.4**	**16,366.5**	**16,058.0**	**17,355.0**
Share capital	7,038.6	7,038.6	7,091.9	7,038.6	7,038.6
Minority Interest	(269.5)	(371.0)	(99.6)	(309.2)	(286.3)
Reserves	7,272.0	9,733.1	13,011.1	14,016.9	15,603.1
Total Equity	**14,041.1**	**16,400.6**	**20,003.4**	**20,746.2**	**22,355.3**
Long-term borrowings	25,259.8	28,417.0	30,378.8	28,801.5	31,262.5
Deferred tax liabilities	2,030.0	2,030.0	3,372.4	2,030.0	2,030.0
Others	3,441.2	4,148.2	4,078.7	4,148.2	4,148.2

Non-current liabilities	**30,731.0**	**34,595.2**	**37,829.9**	**34,979.7**	**37,440.7**
Short-term borrowings	2,454.2	3,067.3	2,009.6	3,067.3	3,067.3
Payables	3,530.3	4,784.7	5,228.7	4,953.8	4,958.4
Others	210.9	307.7	1,712.3	307.7	303.5
Current liabilities	**6,195.5**	**8,159.7**	**8,950.5**	**8,328.8**	**8,329.2**

Cash Flow Statement (RM'm)	**2022A**	**2023A**	**2024A**	**2025E**	**2026F**
PAT	1,222.8	2,026.4	3,510.3	3,097.4	2,288.9
Depreciation & Amortization	2,273.4	2,370.6	1,251.9	2,699.8	3,014.4
Chgs in working capital	49.7	(182.4)	(8.8)	(15.7)	(0.7)
Others	(2,703.3)	(756.0)	(289.1)	(426.3)	(474.1)
Operating cash flow	**842.7**	**3,458.6**	**4,464.2**	**5,355.1**	**4,828.5**
Capex	(1,750.5)	(1,792.1)	(2,292.1)	(6,792.1)	(5,792.1)
Others	1,876.1	(742.9)	(624.3)	426.3	474.1
Investing cash flow	**125.6**	**(2,535.0)**	**(2,916.3)**	**(6,365.8)**	**(5,318.0)**
Dividends paid	(512.1)	(616.3)	(529.4)	(919.9)	(679.8)
Net movement in borrowings	(4,245.6)	3,770.3	(811.5)	3,327.4	2,461.0
Others	2,052.5	(2,687.8)	(255.2)	0.0	0.0
Financing cash flow	**(2,705.2)**	**466.1**	**(1,596.1)**	**2,407.4**	**1,781.2**
Net changes in cash	(1,736.9)	1,389.8	(48.2)	1,396.8	1,291.7
Beginning cash	**8,566.6**	**6,784.2**	**8,727.1**	**8,737.8**	**8,738.8**
Forex, Overdrafts & Deposits	27.5	825.4	58.9	272.3	272.3
Ending cash	**6,857.2**	**8,999.4**	**8,737.8**	**10,407.0**	**10,302.9**

Key Ratios	**2022A**	**2023A**	**2024A**	**2025E**	**2026F**
Operating profit margin	16.9%	27.3%	20.5%	16.8%	16.9%
Core net profit margin	8.3%	15.5%	12.9%	9.6%	8.3%
ROE	9.2%	16.1%	14.6%	10.0%	9.2%
ROA	2.6%	5.2%	4.8%	3.3%	2.6%
Net gearing (%)	137.1%	117.5%	106.4%	104.0%	137.1%
Book value/share (RM)	2.01	2.45	2.54	2.74	2.01
PBV (x)	1.6	1.3	1.3	1.2	1.6
PER (x)	14.4	8.6	8.6	11.6	14.4

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 *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