YTL Power International Berhad

(6742 | YTLP MK) Main | Utilities

Maintain BUY

Data Centre Development on Course

Unchanged Target Price: RM5.64

KEY INVESTMENT HIGHLIGHTS

- **Second phase of 8MW under JDC1 expected to come online by end-2024**
- **PUE ahead of industry standards at 1.3**
- **100MW AI data centre construction on track; core and shell for 20MW by Jan-25 and 80MW by mid-2025**
- **Maintain BUY with an unchanged TP of RM5.64**

Site visit to Kulai. We were in Kulai recently to visit YTL Power's green data centre park, where the first phase of 8MW under Johor Data Centre 1 (JDC1) commenced operations in May-24. The group's expansion into the data centre business began in Dec-21 when it acquired a 50% stake in Dodid Pte Ltd, which owns a 12.5MW Tier-3 data centre in Singapore. Subsequently in Apr-22, it announced its development of a 500MW data centre campus in Johor, which will be powered by solar energy.

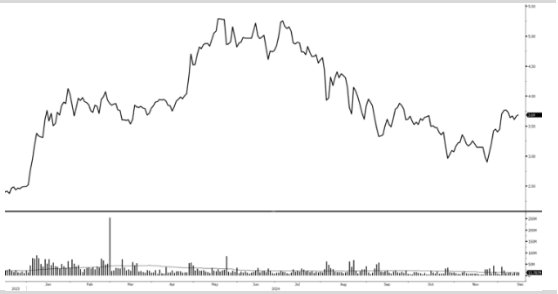
Observations at JDC1. JDC1 will have an IT load of 48MW (facility load 72MW) where SEA Ltd will be the anchor tenant with a 32MW capacity offtake. The first block of 8MW was commissioned in May-24 and as at the time of the visit, the IT load stood at 4.5MW (facility load 6MW). Power usage effectiveness (PUE) is about 1.3, ahead of the industry average of 1.5 to 1.6. The second block of 8MW, which is currently under testing phase, is expected to come online anytime soon (before end 2024). The two other phases for SEA of 8MW each are expected to be commissioned by 2026 and 2027. There are no off takers yet for the remaining 16MW capacity, but YTL Power is in the talks with prospective clients. Security is of utmost priority, with 1,000 CCTVs in JDC1 itself, a perimeter armed with Fence Intrusion Detection System (FIDS) and security personnel round the clock.

JDC2 and JDC3. The second phase of YTL Power's data centre development will be JDC2 and JDC3, both AI data centres with IT loads of 20MW and 80MW respectively. JDC2 is expected to be delivered to YTL AI by end Jan-25 for the installation of the NVIDIA GB200 chips. JDC3 is still under construction and is expected to be completed by mid-2025.

Cooling system. JDC1 uses air cooling but the upcoming JDC2 will see the implementation of a direct-to-chip cooling (DTC), a form of liquid cooling. Management guided that the peak PUE is expected to be at about 1.29. A more energy efficient method would be immersion cooling, but studies are still being conducted and YTL Power is in the talks with several server manufacturers who are still testing the method. An immersion cooling is where the entire server is submerged into dielectric liquid. A DTC cooling on the other hand, cools down only the chipset but the other components still require air cooling.

RETURN STATISTICS	
Price @ 13th Dec 2024 (RM)	3.69
Expected share price return (%)	+52.8
Expected dividend yield (%)	+1.9
Expected total return (%)	**+54.7**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	13.5	13.7
3 months	0.8	3.5
12 months	53.7	38.4

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)	9.9	9.9	13.3
DPS (sen/share)	7.0	7.0	7.0
Dividend Yield (%)	1.9	1.9	1.9

KEY STATISTICS	
FBM KLCI	1,608.75
Issue shares (m)	8195.86
Estimated free float (%)	23.67
Market Capitalisation (RM'm)	30,299.36
52-wk price range	RM2.4 - RM5.47
3-mth average daily volume (m)	13.64
3-mth average daily value (RM'm)	46.95
Top Shareholders (%)	
YTL Corp Bhd	48.43
Yeoh Tiong Lay & Sons Holdings	9.85
Cornerstone Crest Sdn Bhd	6.41

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JDC6. The third phase or JDC6 will be a 40MW colocation data centre, which has already secured an off taker and is currently being constructed according to the client's specifications. The whole core and shell structure is expected to be delivered by mid-2025.

Maintain BUY. We make no changes to our earnings estimates and our SOP-derived TP to **RM5.64**. Our 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, which is progressing well. 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

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	2.45	2.54	2.74
PBV (x)	1.6	1.3	1.5	1.5	1.3
PER (x)	14.4	8.6	9.9	9.9	13.3

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