YTL Power International Berhad

(6742 | YTLP MK) Main | Utilities

Corporate Update

Growing Contribution from Water Segment

Maintain BUY with higher TP. We are maintaining our **BUY** recommendation on YTL Power with a revised **TP of RM4.94** after incorporating our new TP for Ranhill Utilities. Our revised TP implies an FY27F PER of 23.2x. At its current share price, YTLP is trading at 13.4x FY26F PER, which still provides a very attractive entry point, in our view. We continue to like YTLP for its strategic expansion into data centre, which may become a new growth area for the group by FY28.

Within expectations. YTL Power International (YTLP) posted a core net profit of RM604.7m (-8.1%yoy) in 2QFY26. For the cumulative 6MFY26, the group delivered a core net profit of RM1.10b (-21.4%yoy), which is within our expectations at 51.2% of our full year estimates but below consensus at 44.6%. The power generation business came in weaker as expected, but the quarter was supported by the stronger water and sewerage segment.

Key takeaways. Revenue in 2QFY26 declined -7.5%yoy to RM5.25b on the back of weaker performances across all business segments except for water and sewerage, which saw an improvement in revenue to RM2.01b (+22.7%yoy) and a PBT of RM253.1m (+319.3%yoy), with Wessex Water benefitting from the 21% price increase in the UK, on top of the contribution from Ranhill Utilities, also benefitting from a recent tariff increase starting Aug-25. Meanwhile, the lower retail and pool prices in Singapore continued to affect Power Seraya, resulting in a weaker revenue of RM2.55b (-22.3%yoy) and a PBT of RM440.8m (-39.6%yoy). In a briefing yesterday, management said generation units declined about -2% last quarter as compared to a year ago. Losses from the telco business widened slightly by +1.9% to -RM60.5m compared to a year ago but sequentially, the losses declined -53.6%qoq due to the revenue recognition from the Point of Presence (PoP) project laying fiber optic cables in Sabah which is now nearing completion at 81%.

DCs start to contribute profit. YTLP's data centre (DC) business, which is parked under investment holding segment, has started to generate profit. While the segment saw a -31.5%yoy decline in PBT to RM142.4m during the quarter, this was mainly due to lower sales from the Brabazon project in the UK and weaker consultancy services by Ranhill Utilities. These were partially offset by higher DC revenue, which was already profitable at pretax level. Management guided that 62MW of capacity is already in service and they have recently delivered another 48MW, bringing the total to 110MW. The entire 188MW will be fully in service by FY28.

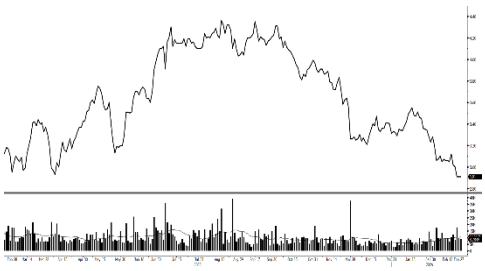
Earnings estimates and TP. While we make no changes to our earnings estimates as they are within expectations, we are revising our TP to RM4.94 from RM4.92 previously to factor in our new TP for Ranhill Utilities.

Maintain BUY

Revised Target Price **RM4.94**
(from RM4.92)

RETURN STATISTICS	
Price @ 26th Feb 2025 (RM)	2.91
Expected share price return (%)	+69.1
Expected dividend yield (%)	+2.7
Expected total return (%)	+71.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-13.4	-13.2
3months	-12.1	-25.4
12 months	-7.0	-15.2

INVESTMENT STATISTICS

FYE Jun	2026E	2027F	2028F
Revenue	21,904	22,005	22,271
Operating Profit	3,822	3,893	3,994
Profit Before Tax	2,642	2,593	2,581
Core PATAMI	2,144	2,105	2,095
Core EPS	21.7	21.3	21.2
DPS	8.0	8.0	8.0
Dividend Yield	2.7%	2.7%	2.7%

KEY STATISTICS	
FBM KLCI	1,740.94
Issue shares (m)	8450.78
Estimated free float (%)	32.64
Market Capitalisation (RM'm)	25,138.31
52-wk price range	RM2.85 - RM4.42
3-mth average daily volume (m)	8.03
3-mth average daily value (RM'm)	26.27
Top Shareholders (%)	
YTL Corp Bhd	46.10
Employees Provident Fund	10.55
Yeoh Tiong Lay & Sons Holdings	9.52

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Sum-of-the-Parts Valuation

SOP Component	Enterprise Value (RM m)	Stake	Per share (RM)	Method
Wessex Water	38,236	100%	3.87	*1.1x EV/RCV*
Power Seraya	18,826	100%	1.91	*DCF (WACC: 8%)*
PT Jawa Power	1,535	20%	0.16	*DCF (WACC: 9%)*
Telco division	1,843	60%	0.19	*Asset Value*
Attarat Jordan *(Equity value)*	2,081	45%	0.21	*DCF (WACC: 9%)*
Ranhill Utilities *(Equity value)*	1,578	53%	0.16	*MBSBR TP (RM2.29)*
Data Centre *(Equity Value)*	7,339	100%/60 %	0.74	*DCF (WACC: 7%)*
SG Hydro-CCGT 600MW *(Equity Value)*	1,785	100%	0.18	*DCF (WACC: 7%)*
Total enterprise value	**73,224**		**7.42**	
Less: Group net debt	-24,421		-2.47	
Total equity value	**48,803**		**4.94**	

YTL Power: 2QFY26 Results Summary

FYE Jun (RMm)	2Q25	1Q26	2Q26	QoQ	YoY	6M25	6M26	YTD
Revenue	5,679.8	5,553.7	5,253.0	-5.4%	-7.5%	11,363.3	10,613.3	-6.6%
Operating profit	1,271.5	1,184.8	896.4	-24.3%	-29.5%	2,213.1	1,866.5	-15.7%
Interest expense	(416.4)	(337.8)	(404.3)	19.7%	-2.9%	(808.7)	(811.8)	0.4%
Associates	83.6	67.1	111.7	66.5%	33.6%	199.1	209.2	5.1%
PBT	**938.7**	**914.1**	**603.8**	**-34.0%**	**-35.7%**	**1,603.5**	**1,263.9**	**-21.2%**
Tax	(165.6)	(182.8)	(141.5)	-22.6%	-14.6%	(319.7)	(316.9)	-0.9%
PAT	773.1	731.3	462.3	-36.8%	-40.2%	1,283.7	947.0	-26.2%
Minority Interest	5.4	61.3	25.7	-58.1%	376.1%	45.4	9.9	-78.3%
Net profit	767.7	670.0	436.6	-34.8%	-43.1%	1,238.3	937.1	-24.3%
Core net profit	**658.1**	**701.8**	**604.7**	**-13.8%**	**-8.1%**	**1,398.2**	**1,098.3**	**-21.4%**
Core EPS (sen)	6.67	7.11	6.13	-13.8%	-8.1%	14.17	11.13	-21.4%
GDPS (sen)	3.00	3.00	3.00			3.00	3.00	
Operating margin	22.4%	21.3%	17.1%			19.5%	17.6%	
PBT margin	16.5%	16.5%	11.5%			14.1%	11.9%	
Tax rate	17.6%	20.0%	23.4%			19.9%	25.1%	
Core net profit margin	11.6%	12.6%	11.5%			10.9%	8.8%	

FYE Jun (RMm)	2Q25	1Q26	2Q26	QoQ	YoY	6M25	6M26	YTD
Revenue:	**5,679.8**	**5,553.7**	**5,253.0**			**11,363.3**	**10,613.3**	
Power generation	3,279.1	3,004.7	2,547.6	-15.2%	-22.3%	6,547.4	5,257.1	-19.7%
Water and sewerage	1,639.8	2,039.0	2,012.7	-1.3%	22.7%	3,377.4	4,134.4	22.4%
Telco business	229.2	157.9	207.0	31.1%	-9.7%	463.0	348.8	-24.7%
Investment holding	531.7	352.1	485.7	38.0%	-8.6%	975.6	873.0	-10.5%
PBT:	**938.7**	**924.1**	**775.8**			**1,603.5**	**1,445.9**	
Power generation	729.8	644.9	440.8	-31.7%	-39.6%	1,476.6	938.3	-36.5%
Water and sewerage	60.4	287.6	253.1	-12.0%	319.3%	115.6	478.1	313.5%
Telco business	(59.4)	(130.4)	(60.5)	-53.6%	1.9%	(83.9)	(195.6)	133.0%
Investment Holding	207.8	122.1	142.4	16.6%	-31.5%	95.2	225.1	136.4%
PBT Margin (%)				***ppts***	***ppts***			**ppts**
Power generation	22.3%	21.5%	17.3%	*-4.2*	*-5.0*	22.6%	17.8%	*-4.7*
Water and sewerage	3.7%	14.1%	12.6%	*-1.5*	*8.9*	3.4%	11.6%	*8.1*
Telco business	-25.9%	-82.6%	-29.2%	*53.4*	*-3.3*	-18.1%	-56.1%	*-38.0*
Investment Holding	39.1%	34.7%	29.3%	*-5.4*	*-9.8*	9.8%	25.8%	*16.0*

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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