YTL Power International Berhad

(6742 | YTLP MK) Main | Utilities

3 Stars

FTSE4Good

Corporate Update

Maintain BUY

Revised Target Price **RM5.63**
(from RM4.94)

Doubling Down on DC

Maintain BUY with higher TP. We are maintaining our **BUY** recommendation on YTL Power with a revised SOTP-derived **TP** of **RM5.63** on the back of a stronger than expected ramp up in the take up rate for the colocation data centre and the doubling of capacity to 1,000MW. Our revised TP implies an FY27F PER of 20.8x. At its current share price, YTLP is trading at 11.8x FY27F PER, which 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 moving forward.

Update briefing. YTL Power International held a briefing yesterday, where managing director Dato' Seri Yeoh Seok Hong provided an update on the group's business segments. We came away equally upbeat on the company and a clearer view that YTL Power is moving beyond a defensive utility play to a higher growth digital infrastructure exposure.

Doubling the capacity in Kulai. Management is doubling down on its plans for the Green Data Centre Park in Kulai, aiming to expand it to 1,000MW from the initial 500MW planned. It has already secured 300MW of committed capacity and management guided an annual expansion of about 200MW, which should achieve 1,000MW in three years, premised on a strong demand as developers in the US face constraints around power availability and data centre delivery timelines. Management guided that they are able to construct 100MW every 15 months.

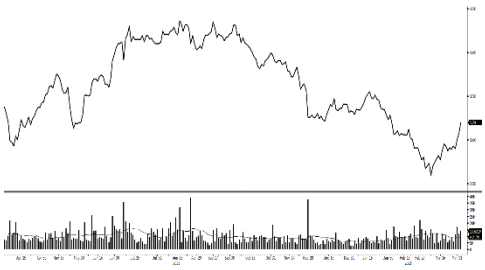
Neutral fuel cost risk. The fuel cost risk at Power Seraya in Singapore will largely be neutral moving forward as future gas procurements are effectively centralised via GasCo, a state-owned entity to centralise procurement and supply of gas to the power sector. This means gas will be supplied to all generation companies at the same price, reducing upside from cheaper procurement but also reducing downside from gas shortage. YTL Power will still be able to benefit from gas contracts signed earlier at lower prices. Meanwhile, Power Seraya also had its lease extended for 30 years, at a cost of SGD220m, securing long-term land access in a market where new power plant sites are scarce.

Wessex water steadily expanding. Management provided an update on the regulatory appeal process where the final decision by the Competition and Markets Authority (CMA) allowed Wessex Water to recover +44% of the uplift it sought above the initial determination, and this will likely lift the allowed revenue above GBP1.0b for the first time. Management also highlighted that the regulated asset base (RAB) is expected to increase from GBP4.6b to GBP7.6b by 2030.

Value unlocking avenues. Management indicated that it is in discussion to create its first sukuk financing for its data centres and it is also in the process of evaluating an IPO targeted in the near term for the next phase

RETURN STATISTICS	
Price @ 2nd Apr 2026 (RM)	3.20
Expected share price return (%)	+75.9
Expected dividend yield (%)	+2.5
Expected total return (%)	+78.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	15.5	16.5
3months	6.7	-5.5
12 months	-5.0	-15.1

INVESTMENT STATISTICS

FYE Jun	2026E	2027F	2028F
Revenue	21,904	22,618	22,884
Operating Profit	3,822	4,415	4,769
Profit Before Tax	2,642	3,090	3,330
Core PATAMI	2,144	2,478	2,670
Core EPS	21.7	25.1	27.1
DPS	8.0	8.0	8.0
Dividend Yield	2.7%	2.5%	2.5%

KEY STATISTICS	
FBM KLCI	1,698.30
Issue shares (m)	8450.78
Estimated free float (%)	32.66
Market Capitalisation (RM'm)	27,648.47
52-wk price range	RM2.51 - RM4.42
3-mth average daily volume (m)	9.05
3-mth average daily value(RM'm)	27.50
Top Shareholders (%)	
YTL Corp Bhd	46.10
Employees Provident Fund	10.55
Yeoh Tiong Lay & Sons Holdings	9.52

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of growth. Possible listing markets Malaysia, Singapore, the US or the UK. Meanwhile, for Wessex Water, the management reiterated that the asset remains 100%-owned by YTL Power, thereby preserving strategic flexibility for a future listing, securing partners or partial monetisation.

May benefit from turbine shortage. The mushrooming of data centres globally has led towards a shortage of gas turbines as developers are increasingly being pushed towards on-site generation and due to higher demand for electrification. Prices are also soaring by about 50% to 100%. In Malaysia, YTL Power is among the few developers that have managed to secure turbines, having three in hand that were procured last year. We believe this may give them the competitive advantage for NEWGEN26, which is the new gas-fired generation capacity for the year 2029 to 2031 that was announced by the Energy Commission (ST) last month.

Earnings estimates and TP. We are raising our earnings estimates for FY27F/FY28F by +17.7%/27.5% on the back of a stronger than expected ramp up in the take up rate for the colocation data centre and the doubling of capacity to 1,000MW. We are also revising our sum-of-the-parts (SOTP) derived **TP** to **RM5.63** from RM4.94 previously.

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)*	13,833	100%/60 %	1.40	*DCF (WACC: 7%)*
SG Hydro-CCGT 600MW *(Equity Value)*	1,785	100%	0.18	*DCF (WACC: 7%)*
Total enterprise value	**79,718**		**8.08**	
Less: Group net debt	-24,175		-2.45	
Total equity value	**55,542**		**5.63**	

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	22,320.5	21,806.8	21,903.8	22,618.1	22,884.1
EBIT	6,084.1	4,320.7	3,822.4	4,415.0	4,769.0
PBT	4,114.6	3,152.8	2,641.5	3,090.1	3,330.1
Taxation	(604.3)	(629.6)	(475.5)	(587.1)	(632.7)
PAT	3,464.1	2,523.2	2,144.4	2,477.9	2,670.4
Core PATAMI	3,450.6	2,503.6	2,144.4	2,477.9	2,670.4
EPS (sen)	32.1	28.4	21.7	25.1	27.1
PER (x)	10.0	11.3	14.7	12.7	11.8
DPS (sen)	7.0	8.0	8.0	8.0	8.0
Dividend yield (%)	2.2	2.5	2.5	2.5	2.5

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PAT	3,421.9	2,523.2	2,166.0	2,502.9	2,697.4
Depreciation	1,909.4	1,319.0	3,014.4	3,304.0	3,593.6
Change in NWC	(169.1)	(583.0)	(0.2)	(21.7)	(8.1)
Operating cash flow	6,156.1	6,566.9	4,706.1	5,335.2	5,832.9
Capital expenditure	(3,372.5)	(6,314.0)	(5,792.1)	(5,792.1)	(5,792.1)
Investing cash flow	(2,998.0)	(6,851.9)	(5,318.0)	(5,342.1)	(5,342.1)
Debt raised/(repaid)	(811.5)	6,108.1	2,461.0	2,337.9	2,221.0
Dividends paid	(529.4)	(328.4)	(643.3)	(743.4)	(801.1)
Financing cash flow	(1,598.5)	6,020.7	1,817.7	1,594.6	1,419.9
Net cash flow	(57.3)	3,104.0	1,205.9	1,587.7	1,910.7
Beginning cash flow	8,727.1	8,728.4	8,738.8	8,739.8	8,740.8
Ending cash flow	8,728.4	11,323.4	10,217.0	10,600.9	10,925.9

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
PPE	31,417.9	36,007.8	31,541.7	34,029.8	36,228.3
Others	20,135.5	19,635.4	17,048.7	17,048.7	17,048.7
Non-current assets	**51,553.4**	**55,643.2**	**50,730.4**	**53,218.4**	**55,416.9**
Trade receivables	5,081.6	4,808.1	4,607.7	4,758.0	4,814.0
Cash & bank balances	8,889.9	11,728.1	10,903.7	12,492.4	14,405.2
Current assets	**16,279.4**	**18,712.1**	**17,092.8**	**18,852.6**	**20,829.1**
Long-term debt	30,427.1	35,369.6	31,262.5	33,600.5	35,821.5
Non-current liabilities	**38,202.1**	**42,667.6**	**37,440.7**	**39,778.7**	**41,999.7**
Short-term debt	2,016.6	2,591.2	3,067.3	3,067.3	3,067.3
Trade payables	5,340.9	5,885.2	4,581.6	4,731.0	4,786.6
Current liabilities	**9,175.6**	**10,219.1**	**8,258.6**	**8,408.1**	**8,463.7**
Share capital	7,091.9	7,635.7	7,038.6	7,038.6	7,038.6
Reserves	12,965.1	13,566.5	15,414.1	17,148.7	19,018.0
Equity	**20,455.2**	**21,468.6**	**22,163.7**	**23,923.2**	**25,819.5**

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
EBIT margin	27.3%	20.8%	17.5%	19.5%	20.8%
PBT margin	18.4%	17.3%	12.1%	13.7%	14.6%
PATAMI margin	9.2%	15.5%	11.6%	9.8%	11.0%
Core PATAMI margin	8.3%	15.5%	11.5%	9.8%	11.0%
ROA	5.4%	4.4%	3.2%	3.4%	3.5%
ROE	16.7%	13.4%	9.6%	10.2%	10.2%

Source: Bloomberg, MBSBR

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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