YTL Power International Berhad

(6742 | YTLP MK) Main | Utilities

Corporate Update

1QFY27 Results Review: DC Earnings Ramping Up

Maintain **BUY**

Unchanged Target Price **RM5.98**

Maintain BUY. We are maintaining our BUY recommendation on YTL Power with an unchanged **TP** of **RM5.98.** Our TP implies an FY27F PER of 23.8x. At its current share price, YTLP is trading at 15.9x FY27F PER. The recent selldown provides an attractive entry point, in our view. To put the current valuation into perspective, even in an extreme scenario where we strip out the entire RM1.40 per share valuation attributed to its data centre (DC) business from our SOTP, YTLP would still be valued at RM4.58 per share, above its previous closing price. We remain positive on YTLP's longer-term prospects, underpinned by the progressive ramp-up of its DC operations, which are emerging as a significant earnings growth driver for the group.

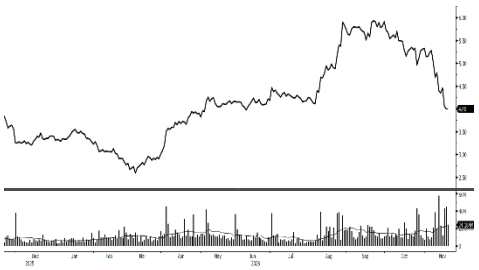
Below expectations. YTL Power International (YTLP) posted a core net profit of RM460.1m (-6.8%yoy) in 1QFY27. While power generation and water and sewerage earnings came in lower as compared to the preceding year quarter, this was cushioned by stronger earnings from data centre. Sequentially, the group's core earnings grew +41.1%qoq. The results were below our expectations at 18.6% of ours and 19.9% of consensus' full-year estimates.

Key takeaways. The group's revenue surged +40.7%yoy to RM4.54b (+19.3%qoq) on the back of stronger performances across all segments, through this did not trickle down to the PBT level due to factors such as higher costs and a stronger ringgit. At Power Seraya, PBT came in -34.4%yoy lower at RM326.3m though sequentially, it was a strong rebound by +26.3%qoq, benefiting from stronger pool margins, lower operating expense provisions and depreciation charges. Wessex Water posted a slight -2.3%yoy decline in PBT to RM177.5m (+9.4%yoy) supported by higher regulated tariffs under Ofwat's AMP8 framework, though this was partially offset by the stronger ringgit against the GBP, on top of higher financing and operating costs. We expect Wessex Water's earnings to remain supported by regulated tariff adjustments, with its regulated asset base projected to increase from GBP5.2b to GBP7.3b by 2030. Ranhill's PBT declined -14.1%yoy to RM37.1m due to higher maintenance costs. Management remains optimistic about Ranhill's longer-term growth opportunities, particularly the potential to finance, develop and own additional water infrastructure assets.

DC earnings gaining traction. The DC segment continued to demonstrate strong numbers, with a revenue of RM329.4m (6x yoy) and a PBT of RM139.5m, up from RM1.0m a year ago. Sequentially, PBT was a decline of -42.9%qoq but this was due to a one-off cumulative catch-up adjustment relating to contractual annual escalation clauses that was recognised in the previous quarter. Online capacity is now 160MW, an increase of 10MW from the previous quarter. The total capacity is expected to climb to 258MW by the end of FY27. They have since contracted 298MW.

RETURN STATISTICS	
Price @ 19th Nov 2026 (RM)	4.00
Expected share price return (%)	+49.5
Expected dividend yield (%)	+2.0
Expected total return (%)	+51.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-17.7	-17.5
3months	-20.6	8.2
12 months	21.5	23.8

INVESTMENT STATISTICS

FYE Jun	2026A	2027F	2028F
Revenue	22,023	22,618	22,884
Operating Profit	3,623	4,415	4,769
Profit Before Tax	2,398	3,090	3,330
Core PATAMI	1,983	2,478	2,670
Core EPS	20.1	25.1	27.1
DPS	8.0	8.0	8.0
Dividend Yield	2.0%	2.0%	2.0%

KEY STATISTICS	
FBM KLCI	1,566.16
Issue shares (m)	8664.17
Estimated free float (%)	33.23
Market Capitalisation (RM'm)	41,214.23
52-wk price range	RM2.51 - RM6.02
3-mth average daily volume (m)	16.16
3-mth average daily value(RM'm)	86.83
Top Shareholders (%)	
YTL Corp Bhd	45.58
Employees Provident Fund	13.13
Yeoh Tiong Lay & Sons Holdings	9.44

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Clearing the air over allegations. Management categorically denied any involvement in alleged chip diversions, which surfaced from a report from a short seller several months back. YTLP stressed that it has no dealings with Speedmatrix/Megaspeed concerning GPUs and that the group is not under investigation. Management added that they have no Chinese customers in its GPU-service business.

DC expansion ambitions intact. Management reiterated its ambition to develop approximately 200MW of additional DC capacity annually, with the potential to accelerate expansion amid growing enquiries from US-based companies seeking colocation capacity in Malaysia. The group's main DC focus remains the colocation business. We have previously highlighted that YTLP's longer-term DC potential could be substantially larger than 3-4GW. Beyond the planned upsizing of Kulai from 600MW to 1.2GW, YTLP's initial 145-acre parcel at STeP West could accommodate up to 1.2GW. The group also holds an option to acquire an additional 400 acres at STeP West, which could theoretically support another 3.3GW, assuming a similar development density. The recent JV with SD Guthrie Bhd (SDG) and Bumi Assets Sdn Bhd to jointly develop a 657.09ha (1,623 acre) freehold land in Bukit Kerayong, Klang, could theoretically add another 4GW.

Financing visibility improving. Management indicated that the rating exercise by RAM for its proposed DC sukuk financing is nearing completion, with financing potentially raised by Dec-26 or early 2027. This should provide greater funding visibility for its sizeable DC expansion programme, for which the group has already invested approximately RM13.5b. Management also reiterated that the potential listing of its DC business remains under consideration, although it is not an immediate priority given the group's access to alternative funding sources. The timing of any listing will largely depend on achieving an attractive valuation, while private investors have also expressed interest in acquiring stakes in its DC operations.

Earnings estimates and TP. While 1QFY27 earnings were below our full-year projections, we make no changes to our estimates, we expect the progressive ramp-up of contracted DC capacity to provide stronger earnings contributions in subsequent quarters. We maintain our SOTP-derived **TP** at **RM5.98**.

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)*	1,785	53%	0.18	*MBSBR TP (RM2.56)*
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%)*
Brabazon	3,125	100%	0.32	*DCF (WACC: 8%)*
Total enterprise value	**83,222**		**8.43**	
Less: Group net debt	-24,175		-2.45	
Total equity value	**59,046**		**5.98**	

YTL Power: 1QFY27 Results Summary

FYE Jun (RMm)	1Q26	4Q26	1Q27	QoQ	YoY
Revenue	5,360.3	6,325.3	7,543.4	19.3%	40.7%
Operating profit	970.2	1,004.7	1,038.8	3.4%	7.1%
Interest expense	(407.5)	(401.2)	(491.5)	22.5%	20.6%
Associates	97.5	88.1	92.4	5.0%	-5.1%
PBT	**660.1**	**691.5**	**639.8**	**-7.5%**	**-3.1%**
Tax	(175.4)	(220.2)	(188.0)	-14.6%	7.2%
PAT	484.7	471.3	451.7	-4.2%	-6.8%
Minority Interest	(15.8)	47.8	(8.9)	-118.6%	-43.9%
Net profit	500.6	423.5	460.6	8.8%	-8.0%
Core net profit	**493.6**	**326.2**	**460.1**	**41.1%**	**-6.8%**
Core EPS (sen)	5.00	3.30	4.66	41.1%	-6.8%
GDPS (sen)	-	4.00			
Operating margin	18.1%	15.9%	13.8%		
PBT margin	12.3%	10.9%	8.5%		
Tax rate	26.6%	31.8%	29.4%		
Core net profit margin	9.2%	5.2%	6.1%		

FYE Jun (RMm)	1Q26	4Q26	1Q27	QoQ	YoY
Revenue:	**5,360.3**	**6,325.3**	**7,543.4**	19.3%	40.7%
Power generation	2,709.5	3,094.4	4,396.1	42.1%	62.3%
Water and sewerage:					
- Wessex Water	1,707.3	1,638.2	1,762.2	7.6%	3.2%
- Ranhill	414.5	462.5	476.0	2.9%	14.8%
Telco business	141.8	223.9	153.7	-31.4%	8.4%
Data centre	55.7	459.4	329.4	-28.3%	491.3%
Investment holding	331.6	447.0	426.1	-4.7%	28.5%
PBT:	**660.1**	**691.5**	**639.8**	-7.5%	-3.1%
Power generation	497.5	258.4	326.3	26.3%	-34.4%
Water and sewerage					
- Wessex Water	181.8	162.3	177.5	9.4%	-2.3%
- Ranhill	43.2	121.0	37.1	-69.3%	-14.1%
Telco business	(135.1)	(113.5)	(122.3)	7.7%	-9.5%
Data centre	1.0	244.3	139.5	-42.9%	13253.1%
Investment Holding	71.7	19.0	81.6	328.5%	13.8%
PBT Margin (%)				***ppts***	***ppts***
Power generation	18.4%	8.3%	7.4%	*-0.9*	*-10.9*
Water and sewerage					
- Wessex Water	10.6%	9.9%	10.1%	*0.2*	*-0.6*
- Ranhill	10.4%	26.2%	7.8%	*-18.4*	*-2.6*
Telco business	-95.3%	-50.7%	-79.6%	*-28.9*	*15.7*
Data centre	1.9%	53.2%	42.4%	*-10.8*	*40.5*
Investment Holding	21.6%	4.3%	19.1%	*14.9*	*-2.5*

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026A	2027F	2028F
Revenue	22,320.5	21,806.8	22,022.8	22,618.1	22,884.1
EBIT	6,084.1	4,320.7	3,623.3	4,415.0	4,769.0
PBT	4,114.6	3,152.8	2,398.1	3,090.1	3,330.1
Taxation	(604.3)	(629.6)	(637.7)	(587.1)	(632.7)
PAT	3,464.1	2,523.2	1,686.4	2,477.9	2,670.4
Core PATAMI	3,450.6	2,503.6	1,982.8	2,477.9	2,670.4
EPS (sen)	32.1	28.4	20.1	25.1	27.1
PER (x)	12.5	14.1	19.9	15.9	14.8
DPS (sen)	7.0	8.0	8.0	8.0	8.0
Dividend yield (%)	1.8	2.0	2.0	2.0	2.0

Cash Flow (RM'm)	2024A	2025A	2026A	2027F	2028F
PAT	3,421.9	2,523.2	1,686.4	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	2026A	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	2026A	2027F	2028F
EBIT margin	27.3%	20.8%	16.5%	19.5%	20.8%
PBT margin	18.4%	17.3%	10.9%	13.7%	14.6%
PATAMI margin	9.2%	15.5%	7.7%	9.8%	11.0%
Core PATAMI margin	8.3%	15.5%	9.0%	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