

# YTL Power International

## Buoyed by Singapore Unit, Yet Again

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YTLPOWER's 9MFY23 results beat expectations, thanks to strong performance from its power generation unit in Singapore. The IPP in the city state will continue to benefit from high retail prices but low input cost. Meanwhile, the RM15b YTL Green Data Centre Park in Johor will broaden its earnings base over the longer term. We raise FY23-24F net profit forecasts by 54% and 16%, respectively, lift our TP by 36% to RM1.48 (from RM1.09) and maintain our OUTPERFORM call.

**9MFY23 above.** 9MFY23 core profit of RM955.4b beat expectations, already surpassing our full-year forecast and the full-year consensus estimate by 20% and 33%, respectively. The key variance against our forecast came largely from stronger power generation contribution from Singapore in 3QFY23 due to higher retail prices. It declared a first interim NDPS of 2.5 sen in 3QFY23, which is higher than the 2.0 sen NDPS paid in 3QFY22.

**YoY,** 3QFY23 revenue jumped 15% on the back of a 19% hike in Singapore power generation revenue which was due to higher retail prices. Core profit jumped significantly to RM528.4m from RM5.6m in 3QFY22 largely due to higher power generation earnings (PBT +521%) on the back of higher retail prices but lower input cost as mentioned above. However, Wessex Water turned into pre-tax loss of RM47.2m from RM89.1m profit due to RM75m (GBP14m) interest accruals on index-link bonds. As a result, interest expense surged 73% YoY.

YTD, 9MFY23 revenue rose 11% led by a 16% increase in power generation on higher retail prices. Core profit jumped 10x to RM955.4m largely attributed to the abovementioned power generation earnings which was partly mitigated by lower earnings from Wessex Water (due to interest accruals and higher operating cost on higher petrochemical costs for water treatment) and widened losses of YES (on aggressive subscriber acquisition cost and marketing expenses being the first player to launch 5G)

**QoQ,** 3QFY3 revenue grew 14% which was on the back of a 22% jump in power generation revenue as retail prices rose. Similarly, core profit soared 92% to RM528m on the back of 167% hike in power generation earnings owing to the higher retail price while both pre-tax losses for Wessex Water and YES widened by 193% and 43% on lower revenues, respectively.

**Forecasts.** We raise our FY23-24F earnings forecasts by 54% and 16%, respectively, to reflect higher retail prices for its power generation business in Singapore. However, we maintain our FY23-24F NDPS assumption of 5.0 sen annually.

We upgraded our SoP-based TP by 36% to RM1.48 (see Page 3) from RM1.09, after: (i) upgrading its Singapore power generation unit's valuation; (ii) adding new valuation for data centre business, (iii) updating other investments to include the Jordanian Attarat Power, and (iv) tweaking net cash position aligned to FY22A. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 5).

We continue to like YTLPOWER for: (i) its improved earnings prospects with the turnaround of PowerSeraya, and (ii) the revised new tariff rate for April 2023 keeping Wessex Water's earnings resilient, and (iii) huge earnings potential from the new data centre venture. In addition, YTLPOWER also pays a decent dividend yield of >4%. Maintain **OUTPERFORM**.

**OUTPERFORM** ↔

Price: **RM1.15**  
Target Price: **RM1.48** ↑

### Share Price Performance



KLCI 1,402.48  
YTD KLCI chg -6.2%  
YTD stock price chg 60.8%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	YTLP MK Equity
Market Cap (RM m)	9,317.5
Shares Outstanding	8,102.2
52-week range (H)	1.20
52-week range (L)	0.66
3-mth avg daily vol:	14,032,120
Free Float	17%
Beta	0.8

### Major Shareholders

YTL Corp Bhd	49.1%
Yeoh Tiong Lay & Son	9.9%
Amanah Saham Nasional	6.9%

### Summary Earnings Table

FY June (RM m)	2022A	2023F	2024F
Turnover	17844	19246	20047
EBIT	1083	2720	2400
PBT	1401	1582	1292
<b>Net Profit (NP)</b>	<b>1258</b>	<b>1226</b>	<b>1001</b>
<b>Core Net Profit</b>	<b>259</b>	<b>1226</b>	<b>1001</b>
Consensus (NP)	-	720	771
Earnings Revision (%)	-	+54.0	+15.5
Core EPS (sen)	3.6	17.1	13.9
Core EPS growth (%)	-44.1	374.2	-18.3
NDPS (sen)	4.5	5.0	5.0
BV/Share (RM)	1.75	1.86	1.93
NTA/Share (RM)	0.79	0.79	0.87
Core PER (x)	21.6	7.7	9.4
PBV (x)	0.39	0.62	0.59
P/NTA (x)	0.86	1.45	1.33
Gearing (x)	1.46	1.33	1.26
Dividend Yield (%)	6.6	4.3	4.3



26 May 2023

**Risks to our recommendation** include: (i) stringent ESG standards in developed markets, (ii) regulatory risk in the power sector in Singapore, (iii) the new data centre business fails to take off, and (iv) sustained losses at YES.

**Income Statement**

	3Q	2Q	Q-o-Q	3Q	Y-o-Y	9M	9M	Y-o-Y
FYE June (RM m)	FY23	FY23	Chg	FY22	Chg	FY23	FY22	Chg
Turnover	5,357.5	4,702.8	14%	4,670.8	15%	14,804.7	13,318.1	11%
EBITDA	1,249.4	947.0	32%	490.0	155%	2,963.0	1,644.4	80%
Depreciation	-244.1	-315.4	-23%	-263.6	-7%	-873.8	-900.8	-3%
EBIT	1,005.2	631.6	59%	226.4	344%	2,089.2	743.7	181%
Interest expense	-432.9	-378.8	14%	-250.9	73%	-1,143.5	-719.9	59%
Associates	46.8	79.3	-41%	56.9	-18%	209.2	209.0	0%
Exceptional items	-8.8	-76.2	-88%	1,004.6	-101%	-63.7	980.8	-106%
Pretax profit	610.4	255.9	138%	1,037.0	-41%	1,091.2	1,213.6	-10%
Taxation	-102.8	-65.2	58%	-60.4	70%	-225.3	-143.6	57%
Profit after tax	507.6	190.7	166%	976.7	-48%	866.0	1,070.0	-19%
Minority interest	12.0	8.1	48%	33.6	-64%	25.8	-5.6	-561%
Net profit	519.6	198.8	161%	1,010.2	-49%	891.7	1,064.4	-16%
Core profit	528.4	275.0	92%	5.6	9334%	955.4	83.6	1043%
EPS (sen)	6.4	2.4	161%	12.4	-49%	10.9	13.0	-16%
Core EPS (sen)	6.5	3.4	92%	0.1	9334%	11.7	1.0	1043%
DPS (sen)	2.5	0.0	N/A	2.0	25%	2.5	2.0	25%
NTA/share (RM)	0.71	0.63	12%	0.68	4%	0.71	0.63	12%
EBITDA margin	23%	20%		10%		20%	12%	
EBIT margin	19%	13%		5%		14%	6%	
Pretax margin	11%	5%		22%		7%	9%	
Effective tax rate	17%	25%		6%		21%	12%	

Source: Company

**Segment Breakdown**

Segmental Breakdown	3Q	2Q	Q-o-Q	3Q	Y-o-Y	9M	9M	Y-o-Y
	FY23	FY23	Chg	FY22	Chg	FY23	FY22	Chg
Segment revenue:								
Singapore IPP	4,120.1	3,386.8	22%	3,453.3	19%	10,970.5	9,434.6	16%
Water & Sewerage	995.5	1,039.4	-4%	1,010.7	-1%	3,084.5	3,079.2	0%
Telco Business	109.3	138.7	-21%	115.6	-5%	360.9	549.7	-34%
Investment Holding	132.5	137.8	-4%	91.3	45%	388.8	254.6	53%
<b>Group revenue</b>	<b>5,357.5</b>	<b>4,702.8</b>	<b>14%</b>	<b>4,670.8</b>	<b>15%</b>	<b>14,804.7</b>	<b>13,318.1</b>	<b>11%</b>
Segment result:								
Singapore IPP	806.4	301.5	167%	129.9	521%	1,397.8	208.3	571%
Water & Sewerage	-47.2	-16.1	193%	89.1	N/M	-37.8	364.5	N/M
Mobile Broadband Network	-103.2	-71.9	43%	-85.7	20%	-259.1	-136.3	90%
Investment Holding	-45.6	42.5	N/M	903.7	N/M	-9.6	777.1	N/M
<b>Group PBT</b>	<b>610.4</b>	<b>255.9</b>	<b>138%</b>	<b>1,037.0</b>	<b>-41%</b>	<b>1,091.2</b>	<b>1,213.6</b>	<b>-10%</b>
PBT margin:								
Singapore IPP	20%	9%		4%		13%	2%	
Water & Sewerage	-5%	-2%		9%		-1%	12%	
Telco Business	-94%	-52%		-74%		-72%	-25%	
Investment Holding	-34%	31%		990%		-2%	305%	
<b>Group PBT margin</b>	<b>11%</b>	<b>5%</b>		<b>22%</b>		<b>7%</b>	<b>9%</b>	

Source: Company

26 May 2023

YTLPOWER's Sum-of-Parts Valuation			
(RM m)	RM m	RM/Share	Basis
Singapore IPP	4,114	0.50	FCFF @ 5.8% discount rate
Wessex	10,245	1.26	FCFF @ 2.3% discount rate; TG: 2%
Yes	0	0.00	Zero value
Data Centre	731	0.09	FCFF @ 7.7% discount rate
Other Investment	2,064	0.25	FY22A book value
Net Cash/(Debt)	-5,073	-0.62	Estimated FY23F
<b>TP</b>	<b>12,081</b>	<b>1.48</b>	

Source: Kenanga Research

26 May 2023

## Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GAS MALAYSIA BHD	MP	3.13	3.54	13.10%	4,018.9	Y	12/2023	27.1	25.2	-11.5%	-6.8%	11.5	12.4	2.9	26.2%	19.0	6.1%
MALAKOFF CORP BHD	OP	0.670	0.950	41.79%	3,274.3	Y	12/2023	6.5	7.1	3.7%	8.4%	10.3	9.5	0.6	5.9%	5.2	7.8%
PETRONAS GAS BHD	MP	16.74	17.13	2.33%	33,124.0	Y	12/2023	95.8	97.2	9.8%	1.4%	17.5	17.2	2.5	14.3%	81.5	4.9%
SAMAIDEN GROUP BHD	OP	0.895	1.15	28.49%	346.7	Y	06/2023	3.2	4.4	0.5%	35.0%	27.7	20.5	3.5	13.5%	0.0	0.0%
TENAGA NASIONAL BHD	MP	9.58	10.64	11.06%	55,114.5	Y	12/2023	83.2	84.4	24.1%	1.4%	11.5	11.4	0.9	8.0%	41.6	4.3%
YTL POWER INTERNATIONAL BHD	OP	1.15	1.48	28.70%	9,317.5	N	06/2023	15.0	12.3	374.2%	-18.3%	7.7	9.4	0.6	8.3%	5.0	4.3%
Sector Aggregate					105,195.8					31.0%	-1.4%	12.3	12.4	1.8	12.7%		4.6%

Source: Kenanga Research

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26 May 2023

**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★			
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
<b>SPECIFIC</b>	Transition to Renewables	★	★			
	Reliable Energy & Fair Tariff	★	★	★		
	Effluent/Waste Management	★	★	★		
	Ethical Practices	★	★	★		
	Supply Chain Management	★	★	★		
	Customer Satisfaction	★	★	★		
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%  
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%  
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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