YTL Power International

A New CCGT Plant in Singapore

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OUTPERFORM ↔

Price:	**RM3.95**
Target Price:	**RM4.10** ↑

YTLPOWR's Singapore unit PowerSeraya has won the right to build a SGD800m 600MW hydrogen-ready combined cycle gas turbine (CCGT) in Singapore. Separately, we revisit our valuation for its data centre, raising it to RM7.02b. We keep our forecasts but raise our TP by 34% to RM4.10 (from RM3.06). Maintain OUTPERFORM.

YTLPOWR, through its wholly-owned Singapore unit PowerSeraya has won the first Request for Proposal (RFP) under Energy Market Authority's (EMA) Centralised Process to build a 600MW hydrogen-ready combined cycle gas turbine (CCGT) at its Pulau Seraya Power Station site. The CCGT will be at least 30% volume hydrogen-ready and is estimated to cost SGD800m and targeted to be completed by Dec 2027.

We are positive on this latest plant-up news as it will broaden PowerSeraya's earnings with prospects of improving its ESG score. Assuming SGD800m capex with 80:20 debt-to-equity ratio, 21-year concession period and IRR of 10%, it would add RM0.13 to YTLPOWR's SoP valuation.

Separately, we revisit our valuation for YTLPOWR's data centre investment, benchmarking it against SGX-listed Keppel DC REIT. At present, the market values Keppel DC REIT with a capacity of 300MW in its entirety at an enterprise value of SGD4.27b or RM14.9b, translating to RM49.7m/MW.

Based on RM49.7/MW, YTLP's entire 500MW data centre carries a gross value of RM24.91b. Having deducted the development cost of RM15.0b and discounted to net present value, we arrive at a valuation of RM7.02b (vs. our previous DCF valuation of RM2.65b based on 150MW capacity at a discount factor of 7.8%)

Forecasts. Maintained as we do not expect contribution from the data centre during our forecast period. Our back-of-envelop net profit (at company level) calculation for the full operation of the 48MW Phase 1 is RM9.4m per year and RM805.6m per year for the 100MW AI data centre.

Valuations. We upgrade our SoP-derived TP by 34% to RM4.10 (from RM3.06 as we: (i) upgraded its data centre valuation to RM0.86/share (from RM0.33), (ii) added RM0.13/DCF share for the new CCGT plant, and (iii) impute new YES valuation of RM0.24 based on actual book value of RM1.95b as per FY23. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 5).

Investment case. We continue to like YTLPOWR for: (i) its earnings stability backed by various regulated assets globally, (ii) the robust earnings prospects of PowerSeraya, and (iii) longer-term growth potential from its data centre and digital banking ventures. Maintain **OUTPERFORM.**

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.

Share Price Performance

KLCI	1,515.39
YTD KLCI chg	4.2%
YTD stock price chg	55.5%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	YTLP MK Equity
Market Cap (RM m)	32,003.5
Shares Outstanding	8,102.2
52-week range (H)	4.03
52-week range (L)	0.72
3-mth avg daily vol:	31,550,950
Free Float	23%
Beta	1.1

Major Shareholders

YTL Corp Bhd	49.1%
Yeoh Tiong Lay & Son	9.9%
Amanah Saham Nasional	6.5%

Summary Earnings Table

FY June (RM m)	2023	2024F	2025F
Turnover	21893	23960	24282
EBIT	3647	4973	4346
PBT	2443	3715	2955
Net Profit (NP)	**2022**	**2880**	**2291**
Core Net Profit	**1974**	**2880**	**2291**
Consensus (NP)	-	2837	2674
Earnings Revision (%)	-	-	-
Core EPS (sen)	27.5	40.1	31.9
Core EPS growth (%)	313.1	45.9	-20.5
NDPS (sen)	6.0	6.0	6.0
BV/Share (RM)	2.06	2.23	2.45
NTA/Share (RM)	1.04	0.96	1.17
Core PER (x)	5.4	11.2	14.1
PBV (x)	0.63	1.77	1.61
P/NTA (x)	1.24	4.10	3.38
Gearing (x)	1.34	1.30	1.14
Dividend Yield (%)	4.6	1.5	1.5

YTLPOWR's Sum-of-Parts Valuation

Unit	Valuation		Basis
	(RM m)	(RM/share)	
Singapore IPP	15,951	1.96	FCFF @ 5.9% discount rate
Wessex	10,633	1.30	FCFF @ 5.9% discount rate; TG: 1%
Yes	1,949	0.24	FY23A book value
Data Centre	7,025	0.86	RM49.7m/MW, 500MW capacity
Other Investment	2,234	0.27	FY23A book value
Net Cash/(Debt)	-4,333	-0.53	Estimated FY24F
TP	**33,457**	**RM4.10**	

Source: Kenanga Research

Income Statement

FYE Jun (RM m)	2021	2022	2023	2024F	2025F
Turnover	10783	17855	21893	23960	24282
EBITDA	2309	2563	4930	6237	5664
Depreciation	-1090	-1246	-1283	-1264	-1318
Operating Profit	1220	1317	3647	4973	4346
Interest Expense	-952	-990	-1580	-1725	-1859
Associate	366	316	328	467	468
Exceptional Items	3	999	48	0	0
PBT	636	1642	2443	3715	2955
Taxation	-735	-187	-417	-892	-709
Minority Interest	-44	22	-4	56	45
Net Profit	-143	1477	2022	2880	2291
Core Net Profit	463	478	1974	2880	2291

Balance Sheet

FYE Jun (RM m)	2021	2022	2023	2024F	2025F
Fixed Assets	24201	24947	28502	29238	29920
Intangible Assets	8675	8700	9417	10306	10445
Other Fixed Assets	5342	5617	6166	6748	6839
Inventories	351	549	593	630	663
Receivables	3161	4286	4242	5052	5125
Other Current Assets	1752	799	1236	1353	1371
Cash	8593	6517	8999	9045	8656
Total Assets	52074	51415	59155	62372	63019
Payables	2719	3823	4713	5381	5519
ST Borrowings	4445	2477	3067	2864	2864
Other ST Liability	168	246	380	284	287
LT Borrowings	25911	24260	28417	29873	28487
Other LT Liability	5924	5721	6178	6209	6297
Minority Interest	-110	-278	-371	-406	-412
Net Assets	**13018**	**15166**	**16772**	**18168**	**19977**
Share Capital	7039	7039	7039	7039	7039
Reserves	5979	8128	9733	11129	12938
Shareholders' Fund	**13018**	**15166**	**16772**	**18168**	**19977**

Cashflow Statement

FYE Jun (RM m)	2021	2022	2023	2024F	2025F
Operating CF	1431	1795	3635	-3465	3487
Investing CF	-1763	-757	-2535	-2000	-2000
Financing CF	1073	-2705	466	5511	-1876
Change In Cash	741	-1667	1566	46	-389
Free CF	-332	1038	1100	-5465	1487
Capex	-1782	-1853	-2266	-2000	-2000

Financial Data & Ratios

FYE Jun	2021	2022	2023	2024F	2025F
Growth (%)					
Turnover	1.1	65.6	22.6	9.4	1.3
EBITDA	4.8	11.0	92.4	26.5	-9.2
Operating Profit	0.3	8.0	176.9	36.3	-12.6
PBT	50.2	158.0	48.8	52.1	-20.5
Net Profit	21.2	3.3	313.1	45.9	-20.5
Profitability (%)					
EBITDA	21.4	14.4	22.5	26.0	23.3
Operating Profit	11.3	7.4	16.7	20.8	17.9
PBT	5.9	9.2	11.2	15.5	12.2
Net Profit	-1.3	8.3	9.2	12.0	9.4
Effective Tax Rate	115.5	11.4	17.1	24.0	24.0
ROA	0.8	2.4	3.0	8.0	6.6
ROA	-1.1	10.7	12.9	17.0	12.0
DuPont Analysis					
Net margin (%)	-1.3	8.3	9.2	12.0	9.4
Assets Turnover (x)	0.23	0.34	0.43	0.41	0.39
Leverage Factor (x)	3.92	4.00	3.51	3.53	3.43
ROE (%)	-1.2	11.3	13.9	17.2	12.6
Leverage					
Debt/Asset (x)	0.58	0.58	0.54	0.53	0.52
Debt/Equity (x)	2.29	2.33	1.91	1.88	1.80
Net Debt/(Cash)	-21,763	-20,857	-22,485	-23,692	-22,694
Net Debt/Equity (x)	1.67	1.44	1.34	1.30	1.14
Valuations					
EPS (sen)	6.4	6.6	27.5	40.1	31.9
NDPS (sen)	4.5	4.5	6.0	6.0	6.0
BV/share (RM)	1.60	1.78	2.06	2.23	2.45
NTA (RM)	0.62	0.82	1.04	0.96	1.17
PER (x)	12.3	11.7	5.4	11.2	14.1
Net Yield (%)	6.5	6.6	4.6	1.5	1.5
PBV (x)	0.44	0.38	0.63	1.77	1.61
P/NTA (x)	1.13	0.83	1.24	4.10	3.38
EV/EBITDA (x)	11.9	10.3	22.0	9.0	9.7

Source: Kenanga Research

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. (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	3.31	3.33	0.6%	4,250.0	Y	12/2023	28.6	25.7	-6.6%	-10.0%	11.6	12.9	3.1	27.5%	20.0	6.0%
MALAKOFF CORP BHD	MP	0.660	0.600	-9.1%	3,225.4	Y	12/2023	(10.9)	4.0	-226.8%	-63.6%	N.A.	16.6	0.7	-10.5%	3.0	4.5%
PETRONAS GAS BHD	MP	17.74	17.45	-1.6%	35,102.7	Y	12/2023	95.8	97.2	9.8%	1.4%	18.5	18.2	2.6	14.3%	81.5	4.6%
SAMAIDEN GROUP BHD	OP	1.17	1.46	24.8%	482.6	Y	06/2024	3.7	5.3	33.6%	43.7%	31.8	22.1	4.6	15.7%	0.0	0.0%
SOLARVEST HOLDINGS BHD	OP	1.39	1.47	5.8%	929.7	Y	03/2024	4.1	6.9	52.8%	67.4%	33.5	20.0	4.2	13.8%	0.0	0.0%
TENAGA NASIONAL BHD	OP	10.50	11.45	9.0%	60,767.0	Y	12/2023	63.3	78.7	-5.6%	24.2%	16.6	13.3	1.0	6.1%	31.7	3.0%
YTL POWER INTERNATIONAL BHD	OP	3.95	4.10	3.8%	32,003.5	N	06/2024	35.3	28.1	45.9%	-20.5%	11.2	14.1	1.8	16.5%	6.0	1.5%
Sector Aggregate					**136,761.0**					**-1.5%**	**12.7%**	**16.5**	**14.7**	**2.6**	**11.9%**		**2.8%**

Source: Kenanga Research

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Stock ESG Ratings:

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

☆ 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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