

09 December 2024

# YTL Power International

## YTL Data Centre: A Field Report

By Teh Kian Yeong | [tehky@kenanga.com.my](mailto:tehky@kenanga.com.my)

We have fine-tuned our earnings model following a recent site visit to YTL Data Centre Park in Johor. The delivery timelines for the AI DC (JDC2) and JDC3 remain on track, albeit negotiations with off-takers for the 2<sup>nd</sup> phase of both DCs are yet to be finalised. We see value in YTLPOWR, with the recent share price retracement presenting a buying opportunity. However, the key focus remains on DC delivery over the next 12 months, which is crucial to its earnings performance. We maintain our OP rating and TP of RM5.00 with a potential blue sky fair value of RM6.53.

We visited YTL Data Centre Park recently. The key observations are as follows:

- YTL Data Centre Sdn Bhd (YTL DC)** is the asset owner and developer of YTL Data Centre Park. The 600MW data centre park will be developed in five phases over 10 years, primarily using in-house construction by YTL Corporation Bhd (YTLCORP; Not Rated) and connectivity infrastructure provided by YTL Communications. Currently, only Phase 1 (JDC1), Phase 2 (JDC2), and Phase 3 (JDC3) are either completed or under construction which account for 38% of the total 600MW.
- JDC1 – 48MW:** Sea Ltd is the offtaker for 32MW of capacity, with 8MW already delivered in 1QCY24. The second block of 8MW is scheduled for delivery by the end of this year. According to the schedule, the third and fourth blocks of 8MW each will be delivered to Sea Ltd in 1QCY26 and 1QCY27, respectively.
- JDC2 – 100MW:** Of this AI-focused data centre, with Nvidia as a partner, 20MW will be taken up by YTL AI (a separate entity from YTL DC). This capacity is expected to be ready by 1QCY25, while the delivery of building for remaining 80MW will be delivered by 2QCY25. According to NIVIDIA website ([link](#)), YTL Communications enjoys the status as a Preferred-status cloud partner.
- JDC3:** The first building, with a capacity of 40MW, has secured an offtake agreement under a co-location model. The "core and shell" structure is expected to be delivered by mid-2025. The delivery timeline for the 2<sup>nd</sup> building is yet to be finalised, as negotiations with a potential offtaker (likely the same entity as the first building's offtaker) are ongoing. While JDC3 adopts a co-location model, the M&E systems will be customised to meet the specific requirements of the client.
- Construction Timelines:** JDC1, a three-story building, took two years to complete its "core & shell" structure. In contrast, JDC2 and JDC3, which are two-story buildings, are expected to have construction periods of 14 months each.
- Cooling Systems – Air vs. Liquid Cooling:** JDC1 and JDC3 use air-cooling systems, while JDC2 will adopt an 80% liquid cooling and 20% air cooling configuration. Liquid cooling systems are essential for AI data centres, whereas air cooling suffices for non-AI data centres. JDC2 will implement direct-to-chip liquid cooling, one of two types of liquid cooling systems (the other being immersion cooling).
- Facility and IT Load:** The YTL Data Centre Park will have a total facility load of 600MW, with an expected IT load of 430MW, implying a Power Usage Effectiveness (PUE) of 1.4. During our

# OUTPERFORM ↔

Price: **RM3.73**  
Target Price: **RM5.00** ↔

### Share Price Performance



KLCI	1,613.25
YTD KLCI chg	10.9%
YTD stock price chg	46.9%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	YTLP MK Equity
Market Cap (RM m)	30,627.8
Shares Outstanding	8,211.2
52-week range (H)	5.47
52-week range (L)	2.35
3-mth avg. daily vol.	15,104,610
Free Float	24%
Beta	1.3

### Major Shareholders

YTL Corp Bhd	48.4%
Yeoh Tiong Lay & Son	9.9%
Cornerstone Crest Sdn Bhd	6.4%

### Summary Earnings Table

FY June (RM m)	2023	2024F	2025F
Turnover	22,321	22,804	25,144
EBIT	5,531	5,215	5,182
PBT	4,115	3,824	3,873
<b>Net Profit (NP)</b>	<b>3,464</b>	<b>2,965</b>	<b>3,003</b>
<b>Core Net Profit</b>	<b>3,360</b>	<b>2,965</b>	<b>3,003</b>
Consensus (NP)	-	2,971	3,119
Earnings Revision (%)	-	-	+8.9
Core EPS (sen)	46.7	41.2	41.8
Core EPS Growth (%)	68.8	-11.8	1.3
NDPS (sen)	7.0	7.0	7.0
BV/Share (RM)	2.45	2.74	3.05
NTA/Share (RM)	1.41	1.45	1.62
Core PER (x)	11.8	10.3	10.2
PBV (x)	1.97	1.36	1.22
P/NTA (x)	3.41	2.57	2.31
Gearing (x)	1.17	0.98	0.87
Dividend Yield (%)	1.5	1.9	1.9

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site visit, the IT load for Sea Ltd's first block of 8MW was live at c.5.5MW.

**Our view:** While this was an educational site visit with no financial disclosures, it provided valuable insights into YTL DC, particularly the DC delivery schedule. We continue to see significant value in YTLPOWR following the recent share price retracement. However, the key focus remains on DC delivery, which will be critical to its earnings performance. While our current estimates are relatively conservative, this site visit allowed us to refine our model. Under a blue-sky scenario, our fair value that can be attained would be RM6.53 (see page 3), if the DC earnings delivery fully materialises as anticipated, representing another 30% upside to our target price. In deriving the AI-DC valuations, we use observable benchmarks and apply 3x of sales valuations. As at end-Dec 2023 ([link](#)), Coreweave which is a first mover and NVIDIA partner was already valued at USD7b, of which its projected revenue has been reported to be USD2b in 2024 ([link](#)), equivalent to 3.5x sales valuation. We apply 3.5x to follow this valuation under a blue sky scenario

**Forecasts.** We have fine-tuned our earnings model to incorporate updated assumptions for the DC segment (see table below). As a result, we maintain our FY25 net profit forecast, while raising our FY26 earnings estimate by 9%. We anticipate the AI DC will have a significant impact on FY27 earnings, with a projected net profit of RM987.9m once JDC2 becomes fully operational at 100MW capacity. In our forecasted numbers, we have assumed only 20 MW for AI DC.

**Valuations.** We retain our SoP-based TP of RM5.00 (refer to table below), as we prefer to wait for the take-up of the remaining 80MW AI DC to materialise before considering a blue-sky scenario valuation. Please refer to Sum of Parts Valuation table for our valuation methodology which for now we have left unchanged. No adjustments have been made to our TP based on ESG considerations, which currently reflect a 3-star rating as assessed by us (see Page 6).

**Investment case.** We continue to like YTLPOWR for: (i) its earnings stability backed by various regulated assets globally, (ii) the strong near-term earnings prospects of PowerSeraya backed by gas inventory locked in at low prices, and (iii) its longer-term growth potential driven by 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.

#### DC Assumption

	Old		New	
	FY25	FY26	FY25	FY26
<b>JDC1</b>				
Capex	RM1.5b		RM1.5b	
Capacity	8MW	16MW	16MW	16MW
Utilisation	100%	100%	62.5%	100%
Revenue per MW	RM9m	RM9m	RM9m	RM9m
EBITDA margin	40%	40%	60%	60%
Net profit	-RM87.8m	-RM63.8m	-RM80.9m	-RM52.9m
<b>JDC2</b>				
Capex	RM20.0b		RM16.0b	
Capacity	-	20MW	-	20MW
Utilisation	-	100%	-	100%
Revenue per MW	-	RM60m	-	RM60m
EBITDA margin	-	40%	-	70%
Net profit	-	RM56.2m	-	RM196.8m

Source: Kenanga Research

#### YTLPOWR's Sum-of-Parts Valuation

Unit	Valuation		Basis
	(RM m)	(RM/share)	
Singapore IPP	20,954	2.55	FCFF @ 5.9% discount rate
Wessex	12,640	1.54	FCFF @ 5.9% discount rate; TG: 1%
Yes	1,950	0.24	FY23A book value
Data Centre	8,508	1.04	RM50m/MW, 400MW non-AI capacity
Other Investment	2,770	0.34	RM100m/MW, 100MW AI capacity
			FY23A book value

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Net Cash/(Debt)	-5,817	-0.71	Estimated FY25F
<b>TP</b>	<b>41,004</b>	<b>RM5.00</b>	

Source: Kenanga Research

### YTLPOWER's Sum-of-Parts Valuation – Blue-sky scenario

Unit	Valuation		Basis
	(RM m)	(RM/share)	
Singapore IPP	21,237	2.59	FCFF @ 5.9% discount rate
Wessex	12,640	1.54	FCFF @ 5.9% discount rate; TG: 1%
Yes	1,950	0.24	FY23A book value
Data Centre	21,108	2.57	RM50m/MW, 400MW non-AI capacity 3.5x revenue, 100MW AI capacity
Other Investment	2,770	0.34	FY23A book value
Net Cash/(Debt)	-6,104	-0.74	Estimated FY25F
<b>TP</b>	<b>53,600</b>	<b>RM6.53</b>	

Source: Kenanga Research

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## Income Statement

FYE Jun (RM m)	2022	2023	2024	2025F	2026F
Turnover	17855	21890	22321	22804	25144
EBITDA	2563	4943	6860	6588	6609
Depreciation	-1246	-1283	-1329	-1373	-1427
Operating Profit	1317	3660	5531	5215	5182
Interest Expense	-990	-1580	-1785	-1859	-1778
Associate	316	332	265	468	469
Exceptional Items	999	37	104	0	0
PBT	1642	2450	4115	3824	3873
Taxation	-187	-417	-604	-918	-930
Minority Interest	22	-5	-46	58	59
Net Profit	1477	2028	3464	2965	3003
Core Net Profit	478	1991	3360	2965	3003

## Balance Sheet

FYE Jun (RM m)	2022	2023	2024	2025F	2026F
Fixed Assets	24947	28505	31196	31823	32396
Intangible Assets	8700	9411	10083	10629	11719
Other Fixed Assets	5617	6161	9138	9633	10621
Inventories	549	593	988	578	660
Receivables	4286	4227	5464	6139	6769
Other Current Assets	799	1236	1024	1079	1190
Cash	6517	8999	8890	9186	8114
Total Assets	51415	59132	66784	69066	71469
Payables	3823	4646	6303	6784	7542
ST Borrowings	2477	4002	2010	2864	2864
Other ST Liability	246	380	638	799	879
LT Borrowings	24260	27482	30379	28487	27100
Other LT Liability	5721	6221	7451	7720	8206
Minority Interest	-278	-371	-100	-105	-116
<b>Net Assets</b>	<b>15166</b>	<b>16772</b>	<b>20103</b>	<b>22518</b>	<b>24994</b>
Share Capital	7039	7039	7092	7092	7092
Reserves	8128	9733	13011	15426	17903
<b>Shareholders' Fund</b>	<b>15166</b>	<b>16772</b>	<b>20103</b>	<b>22518</b>	<b>24994</b>

## Cashflow Statement

FYE Jun (RM m)	2022	2023	2024	2025F	2026F
Operating CF	1795	3636	1901	4257	2888
Investing CF	-757	-2535	-2535	-2000	-2000
Financing CF	-2705	466	466	-1961	-1961
Change In Cash	-1667	1567	-168	296	-1073
Free CF	1038	1101	-634	2257	888
Capex	-1853	-2266	-2266	-2000	-2000

## Financial Data & Ratios

FYE Jun	2022	2023	2024	2025F	2026F
<b>Growth (%)</b>					
Turnover	65.6	22.6	2.0	2.2	10.3
EBITDA	11.0	92.9	38.8	-4.0	0.3
Operating Profit	8.0	177.9	51.1	-5.7	-0.6
PBT	158.0	49.2	68.0	-7.1	1.3
Net Profit	3.3	316.6	68.8	-11.8	1.3
<b>Profitability (%)</b>					
EBITDA	14.4	22.6	30.7	28.9	26.3
Operating Profit	7.4	16.7	24.8	22.9	20.6
PBT	9.2	11.2	18.4	16.8	15.4
Net Profit	8.3	9.3	15.5	13.0	11.9
Effective Tax Rate	11.4	17.0	14.7	24.0	24.0
ROA	2.4	3.1	2.0	7.4	6.8
ROA	10.7	13.0	18.8	14.5	12.6
<b>DuPont Analysis</b>					
Net margin (%)	8.3	9.3	15.5	13.0	11.9
Assets Turnover (x)	0.34	0.43	0.38	0.34	0.36
Leverage Factor (x)	4.00	3.51	3.53	3.32	3.07
ROE (%)	11.3	14.0	20.7	14.7	13.3
<b>Leverage</b>					
Debt/Asset (x)	0.58	0.54	0.53	0.48	0.45
Debt/Equity (x)	2.33	1.91	1.88	1.61	1.39
Net Debt/(Cash) (RM m)	-20,857	-22,485	-23,498	-22,164	-21,850
Net Debt/Equity (x)	1.44	1.34	1.17	0.98	0.87
<b>Valuations</b>					
EPS (sen)	6.6	27.7	46.7	41.2	41.8
NDPS (sen)	4.5	6.0	7.0	7.0	7.0
BV/share (RM)	1.77	2.04	2.45	2.74	3.05
NTA (RM)	0.82	1.05	1.41	1.45	1.62
PER (x)	11.8	5.4	11.8	10.3	10.2
Net Yield (%)	6.6	4.6	1.5	1.9	1.9
PBV (x)	0.39	0.64	1.97	1.36	1.22
P/NTA (x)	0.83	1.24	3.41	2.57	2.31
EV/EBITDA (x)	10.3	22.0	9.2	8.0	7.9

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.
<b>Stocks Under Coverage</b>																	
GAS MALAYSIA BHD	MP	4.47	3.85	-13.9%	5,739.5	Y	12/2024	33.4	31.6	11.8%	-5.4%	13.4	14.2	3.9	30.2%	26.7	6.0%
MALAKOFF CORP BHD	MP	0.820	0.810	-1.2%	4,007.3	Y	12/2024	5.0	6.5	-69.9%	28.6%	16.3	12.7	0.9	5.6%	4.0	4.9%
PETRONAS GAS BHD	MP	17.86	17.87	0.1%	35,340.2	Y	12/2024	98.4	100.7	5.2%	2.4%	18.2	17.7	2.5	14.2%	72.0	4.0%
SAMAIDEN GROUP BHD	OP	1.21	1.51	24.8%	506.5	Y	06/2025	5.3	5.9	50.0%	12.5%	22.9	20.4	4.8	22.7%	0.0	0.0%
SOLARVEST HOLDINGS BHD	OP	1.59	1.95	22.6%	1,148.1	Y	03/2025	6.9	8.9	63.5%	29.5%	23.1	17.8	4.0	19.6%	0.0	0.0%
TENAGA NASIONAL BHD	OP	13.52	17.00	25.7%	78,591.1	Y	12/2024	76.9	85.2	43.2%	10.9%	17.6	15.9	1.2	7.3%	38.0	2.8%
YTL POWER INTERNATIONAL BHD	OP	3.73	5.00	34.0%	30,627.8	N	06/2025	36.1	33.6	-11.8%	-7.0%	10.3	11.1	1.4	13.9%	7.0	1.9%
<b>Sector Aggregate</b>					<b>155,960.5</b>					<b>27.8%</b>	<b>3.8%</b>	<b>15.5</b>	<b>14.9</b>	<b>2.7</b>	<b>16.2%</b>		<b>2.8%</b>

Source: Kenanga Research

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**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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**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
 Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

