YTL Power International

1HFY26 Below Expectations

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OUTPERFORM ↔

Price: RM2.91

Target Price: RM3.80 ↓

YTLPOWR delivered a disappointing 1HFY26 as core profit contracted 19% YoY to RM1.18b, meeting only 47% of our full-year forecast. The underperformance was driven by a continued earnings slide at PowerSeraya amid weakening retail and pool prices. We anticipate further margin compression in 2HFY26 for the Singapore unit as 40% of its favourable fuel-cost contracts had expired in Dec 2025. While the data centre division provided a silver lining, contributing a sizeable PBT of <RM100m in 2QFY26, it was insufficient to offset broader headwinds. Consequently, we trim our FY26/FY27 earnings forecasts by 15%/21% and lower our TP to RM3.80, while maintaining our OUTPERFORM rating on long-term growth prospects on data centre business.

1HFY26 results below expectations. YTLPOWR's 1HFY26 core profit of RM1.18b accounted for only 47%/48% of our house and street full-year estimates, falling short of expectations. Performance was hampered by continued weakness at PowerSeraya, where 2QFY26 earnings declined 11% QoQ as retail and pool prices trended lower. No dividend was declared, consistent with the group's typical practice of paying only in the second half of the fiscal year.

QoQ. Despite operational headwinds, 2QFY26 core profit rose 11% QoQ to RM620.1m, partially lifted by a lower effective tax rate of 23.4% (vs. 26.6% in 1QFY26). While most business segments reported declining sequential earnings, the impact was mitigated by growing contributions from the Data Centre business. The division currently operates 110MW of live capacity (from 62MW as of Dec 2025), with the full 188MW facility expected to be operational by end-FY27.

YoY. 1HFY26 core profit contracted 19% YoY to RM1.18b on a 7% decline in revenue. This downturn was primarily driven by PowerSeraya's continued earnings compression due to softening retail and pool prices while losses at telco unit widened by 133% to RM195.6m, weighed down by lower project-related revenue. However, water & sewerage division saw a massive 251% jump to RM406.1m, fuelled by tariff hikes at both Wessex Water and Ranhill SAJ.

Forecasts. We cut FY26/FY27 earnings forecast by 15%/21% to account for weaker PowerSeraya outlook, with margins expected to remain under pressure as 40% of favourable fuel-cost contracts had expired by Dec 2025. NDPS forecast is maintained at 8.0 sen.

Valuation. Following earnings revisions, our SoP-derived TP is cut to RM3.80 (from RM4.40). We make no ESG adjustments given YTLPOWR's 3-star ESG rating.

Investment case. We continue to like YTLPOWR for: (i) its earnings stability backed by various regulated assets globally, and, (ii) 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, (iv) sustained losses at YES, and (v) the AI diffusion rules unfavourable to its AI data centre business.

Share Price Performance

KLCI	1,740.94
YTD KLCI chg	3.6%
YTD stock price chg	-12.1%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	YTLP MK
Market Cap (RM m)	25,139.1
Shares Outstanding	8,638.9
52-week range (H)	4.42
52-week range (L)	2.85
3-mth avg. daily vol.	8,036,212
Free Float	33%
Beta	1.8

Major Shareholders

YTL Corp Bhd	46.0%
Employees Provident Fund Board	10.7%
Yeoh Tiong Lay & Son	9.5%

Summary Earnings Table

FY June (RM m)	2025A	2026F	2027F
Turnover	21,807	24,039	24,908
EBIT	4,823	3,861	3,721
PBT	3,153	2,698	2,627
Net Profit (NP)	**2,398**	**2,115**	**2,060**
Core Net Profit	**2,900**	**2,115**	**2,060**
Consensus (NP)	-	2,464	2,599
Earnings Revision (%)	-	-15.0	-20.6
Core EPS (sen)	33.6	24.5	23.9
Core EPS Growth (%)	-13.7	-27.1	-2.6
NDPS (sen)	8.0	8.0	8.0
BV/Share (RM)	2.57	2.74	2.90
NTA/Share (RM)	1.41	1.48	1.60
Core PER (x)	11.8	11.9	12.2
PBV (x)	1.13	1.06	1.00
P/NTA (x)	2.06	1.97	1.82
Gearing (x)	0.98	0.93	0.87
Dividend Yield (%)	2.0	2.7	2.7

Income Statement

FYE June (RM m)	2Q FY26	1Q FY25	Q-o-Q Chg	2Q FY25	Y-o-Y Chg	1H FY26	1H FY25	Y-o-Y Chg
Turnover	5,253.0	5,360.3	-2%	5,679.8	-8%	10,613.3	11,363.3	-7%
EBITDA	1,409.4	1,339.5	5%	1,299.1	8%	2,749.0	3,026.8	-9%
Depreciation	-329.5	-313.6	5%	-127.1	159%	-643.1	-607.6	6%
EBIT	1,079.9	1,025.9	5%	1,172.0	-8%	2,105.8	2,419.3	-13%
Interest expense	-404.3	-407.5	-1%	-416.4	-3%	-811.8	-808.7	0%
Associates	111.7	97.5	15%	83.6	34%	209.2	199.1	5%
Exceptional items	-183.6	-55.8	229%	99.5	-284%	-239.3	-206.2	16%
Pretax profit	603.8	660.1	-9%	938.7	-36%	1,263.9	1,603.5	-21%
Taxation	-141.5	-175.4	-19%	-165.6	-15%	-316.9	-319.7	-1%
Profit after tax	462.3	484.7	-5%	773.1	-40%	947.0	1,283.7	-26%
Minority interest	-25.7	15.8	-262%	-5.4	376%	-9.9	-45.4	-78%
Net profit	436.6	500.6	-13%	767.7	-43%	937.1	1,238.3	-24%
Core profit	620.1	556.3	11%	668.2	-7%	1,176.4	1,444.5	-19%
EPS (sen)	5.1	5.8	-13%	8.9	-43%	10.9	14.4	-24%
Core EPS (sen)	7.2	6.4	11%	7.7	-7%	13.6	16.7	-19%
DPS (sen)	0.0	0.0	N/A	0.0	N/A	0.0	0.0	N/A
NTA/share (RM)	1.31	1.35	-3%	1.17	11%	1.31	1.35	-3%
EBITDA margin	26.8%	25.0%		22.9%		25.9%	26.6%	
EBIT margin	20.6%	19.1%		20.6%		19.8%	21.3%	
Pretax margin	11.5%	12.3%		16.5%		11.9%	14.1%	
Effective tax rate	23.4%	26.6%		17.6%		25.1%	19.9%	

Source: Company

Segmental Breakdown

Segmental Breakdown (RM m)	2Q FY26	1Q FY25	Q-o-Q Chg	2Q FY25	Y-o-Y Chg	1H FY26	1H FY25	Y-o-Y Chg
Segment revenue:								
Singapore IPP	2,547.6	2,709.5	-6%	3,279.1	-22%	5,257.1	6,547.4	-20%
Water & Sewerage	2,012.7	2,121.7	-5%	1,639.8	23%	4,134.4	3,377.4	22%
Telco Business	207.0	141.8	46%	229.2	-10%	348.8	463.0	-25%
Investment Holding	485.7	387.3	25%	531.7	-9%	873.0	975.6	-11%
Group revenue	**5,253.0**	**5,360.3**	**-2%**	**5,679.8**	**-8%**	**10,613.3**	**11,363.3**	**-7%**
Segment result:								
Singapore IPP	440.8	497.5	-11%	729.8	-40%	938.3	1,476.6	-36%
Water & Sewerage	181.1	225.0	-20%	60.4	200%	406.1	115.6	251%
Mobile Broadband Network	-60.5	-135.1	-55%	-59.4	2%	-195.6	-83.9	133%
Investment Holding	42.4	72.7	-42%	207.8	-80%	115.1	95.2	21%
Group PBT	**603.8**	**660.1**	**-9%**	**938.7**	**-36%**	**1,263.9**	**1,603.5**	**-21%**
PBT margin:								
Singapore IPP	17.3%	18.4%		22.3%		17.8%	22.6%	
Water & Sewerage	9.0%	10.6%		3.7%		9.8%	3.4%	
Telco Business	-29.2%	-95.3%		-25.9%		-56.1%	-18.1%	
Investment Holding	8.7%	18.8%		39.1%		13.2%	9.8%	
Group PBT margin	**11.5%**	**12.3%**		**16.5%**		**11.9%**	**14.1%**	

Source: Company

YTLPOWR's Sum-of-Parts Valuation

Unit	Valuation		Basis
	(RM m)	(RM/share)	
Singapore IPP	13,301	1.54	FCFF @ 5.9% discount rate
Wessex	11,813	1.37	FCFF @ 5.9% discount rate; TG: 1%
Yes	2,269	0.26	FY24A book value
Data Centre	8,508	0.99	RM50m/MW, 400MW non-AI capacity RM100m/MW, 100MW AI capacity
Other Investment	2,776	0.32	FY24A book value
Net Cash/(Debt)	-5,888	-0.68	Estimated FY25F
	32,778	3.80	
Issued Share	8,627		
TP	**RM3.80**		

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	4.76	4.50	-5.5%	6,111.8	Y	12/2026	31.7	32.1	5.6%	1.3%	15.0	14.8	3.7	25.4%	25.3	5.3%
KJTS GROUP BHD	OP	0.805	1.30	61.5%	555.9	Y	12/2026	3.1	3.7	18.1%	20%	26.8	20.1	3.1	15.2%	61.5	76.4%
MALAKOFF CORP BHD	OP	0.810	1.00	23.5%	3,958.4	Y	12/2026	3.6	4.8	58.2%	32.9%	22.6	17.0	0.9	3.9%	2.9	3.5%
PEKAT GROUP BHD	OP	1.35	1.68	24.4%	953.5	Y	12/2025	7.2	8.5	109.0%	17.5%	18.8	16.0	3.3	24.0%	0.0	0.0%
PETRONAS GAS BHD	MP	18.44	18.80	2.0%	36,487.8	Y	12/2026	95.9	97.2	12.1%	1.4%	19.2	19.0	2.5	13.1%	72.0	3.9%
SAMAIDEN GROUP BHD	OP	1.13	2.08	84.1%	567.9	Y	06/2026	6.9	8.4	24.0%	21.6%	16.3	13.4	4.5	29.8%	0.0	0.0%
SOLARVEST HOLDINGS BHD	OP	2.32	3.45	48.7%	2,201.0	Y	03/2026	10.3	14.3	51.9%	39.2%	22.5	16.2	4.5	22.7%	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.205	0.470	129.3%	205.2	Y	09/2026	1.3	2.0	-29.3%	53.8%	15.8	10.3	2.6	19.1%	0.0	0.0%
TENAGA NASIONAL BHD	OP	14.18	17.00	19.9%	82,657.2	Y	12/2026	85.6	88.1	2.9%	2.8%	16.6	16.1	1.3	7.8%	50.8	3.6%
YTL POWER INTERNATIONAL BHD	OP	2.91	3.80	30.6%	25,138.3	N	06/2026	25.8	25.1	-27.1%	-2.6%	11.3	11.6	1.0	9.2%	8.0	2.7%
SECTOR AGGREGATE	MP	4.76	4.50	-5.5%	6,111.8	Y	12/2026	31.7	32.1	5.6%	1.3%	15.0	14.8	3.7	25.4%	25.3	5.3%

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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