



YTL Power

Despite flat 3Q07 earnings, cash build-up is strong.
Raising DPS estimates

- 3Q07 in line.** Stripping out the M\$89MM capital gain from the sale of YTL Cement ICULs to YTL Corp (please see YTL 3Q07 results note for details), net profit came in flat Y/Y for the quarter, whereas for the 9 months recurring net profit has grown 8% ytd to M\$660MM. Although this accounts for 70% of our full year forecasts, we are confident 4Q07 will make up for the stagnant growth in 3Q07. The flat growth was a result of what we believe was scheduled O&M downtime for the Malaysian plants. Revenues and profitability are traditionally better q-o-q in 4Q due to seasonal demand at Wessex Water during the summer.
- Cashflows exceptionally strong, second tax-free interim div given.** FCF has hit M\$823MM for the 9 months vs M\$312MM during the same period last year. Cash on the balance sheet is now almost M\$7B. It is not a surprise therefore that management has declared a second interim tax-free dividend of 3.5 sen per share. The tax-free feature comes from the cash payout from Wessex Water, where dividends received from the concession is not subject to double taxation. We believe tax-free interim dividends every quarter will be a recurring feature by YTLP going forward. As a result we are raising our net DPS forecast from 7 sen per share to 10 sen per share for FY07E, FY08E and FY09E. Despite the recent share price appreciation, the net dividend yield stays at 4%.
- Maintain RNAV-based PT of M\$2.90.** Our PT is based on the RAB value of Wessex Water, the DCF of the Malaysian IPPs and the book value of associate companies and investments. We believe an M&A re-rating is imminent as management starts to maximize the potential of its balance sheet as it looks towards increasing its stake in PT Jawa, rolling out brownfield and greenfield projects in Indonesia. Wessex Water also stands to benefit from lucrative O&M fees for its services in YTL Corp's recent M\$1bn river cleaning project.

YTL Power International (Bloomberg: YTLP MK; Reuters: YTLP.KL) results summary

M\$MM, YE June	3Q2007	3Q2006	% yoy	2Q2007	% qoq	9M07	9M06	% yoy
Turnover	964.6	890.7	8%	976.6	-1%	2,900.5	2,732.4	6%
EBIT	525.4	393.4	34%	398.1	32%	1,333.4	1,177.0	13%
EBIT margin	54%	44%	+ 10 pp	41%	+ 14 pp	46%	43%	+ 3 pp
PBT	381.9	313.2	22%	286.7	33%	954.5	816.7	17%
PBT margin	40%	35%	+ 15 pp	29%	+ 11 pp	33%	30%	+ 3 pp
Net profit	305.7	217.3	41%	222.2	38%	748.5	611.0	23%
EPS (M\$ sen)	6.06	4.41	37%	4.51	34%	15.09	12.53	20%

Source: Company reports.

Overweight

M\$2.42

24 May 2007
Price Target: M\$2.90

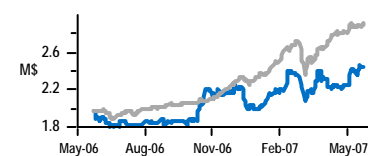
Malaysia

Independent Power Producers

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Price Performance



	YTD	-1M	-3M	-12M
Absolute	22.6%	9.9%	3.8%	23.8%
Relative	-1.0%	7.4%	-1.8%	-22.4%

Source: RIMES, Reuters.

Company data

52-week range	M\$1.75-M\$2.5
Market cap (M\$MM)	12795.85
Market cap (US\$MM)	3367.33
Shares outstanding (MM)	5287.54
Free float	37%
Avg daily value (M\$MM)	8.7
Avg daily value (US\$MM)	2.6
Avg daily vol (MM)	3.9
KLSE	1341.0
Exchange rate	M\$3.39 / US\$1.0

Source: Bloomberg.

Earnings revision and valuation

	2007E	2008E
Old EPS (M\$)	0.18	0.19
New EPS (M\$)	0.18	0.19
% change	0.0%	0.0%
P/E (x)	13.2	12.6
ROE (%)	14.9%	14.3%
P/B (x)	1.6	1.5
Dec-07 PT	2.90	

Source: JPMorgan estimates.

Table 1: YTL Power International - earnings summary

Year-end June	FY05	FY06	FY07E	FY08E	FY09E
Sales (M\$MM)	3,698.9	3,758.1	3,938.7	4,077.8	4,182.7
Core Net profit (M\$MM)	742.2	873.6	939.7	986.0	1,085.4
Core EPS (M\$)	0.15	0.17	0.18	0.19	0.21
DPS (M\$)	0.07	0.07	0.10	0.10	0.10
Sales growth (%)	8.6%	1.6%	4.8%	3.5%	2.6%
Net profit growth (%)	21.0%	17.7%	7.6%	4.9%	10.1%
EPS growth (%)	11.7%	14.6%	7.6%	4.9%	10.1%
ROE (%)	14.2%	15.2%	14.9%	14.3%	14.2%
ROCE (%)	8.6%	8.8%	9.5%	9.5%	9.9%
P/E (x)	16.3	14.2	13.2	12.6	11.4
P/BV (x)	2.3	2.2	2.0	1.8	1.6
EV/EBITDA (x)	9.2	8.7	8.0	7.6	7.0
Net Div yield (%)	3.0%	3.0%	4.0%	4.0%	4.0%

Source: Company reports and JPMorgan estimates.

Table 2: YTL - RNAV breakdown

RNAV Breakdown (M\$ m)	04A	05A	06E	07E
WACC (%)	6.3	6.3	6.0	6.0
PV of FCF of Malaysian IPP	5,726	5,523	5,292	4,959
RAB of Wessex	10,112	11,750	12,580	15,012
Book value of Electra net	445	580	855	1,129
Book value of Jawa	-	774	818	1,068
Total present value	16,283	18,627	19,544	22,169
Less net debt/(cash)	7,842	8,258	7,867	7,984
Other assets at NTA	468	491	516	542
NAV total	8,909	10,860	12,194	14,727
RNAV/share (M\$) - ex bonus	1.94	2.17	2.38	2.87

Source: JPMorgan estimates.

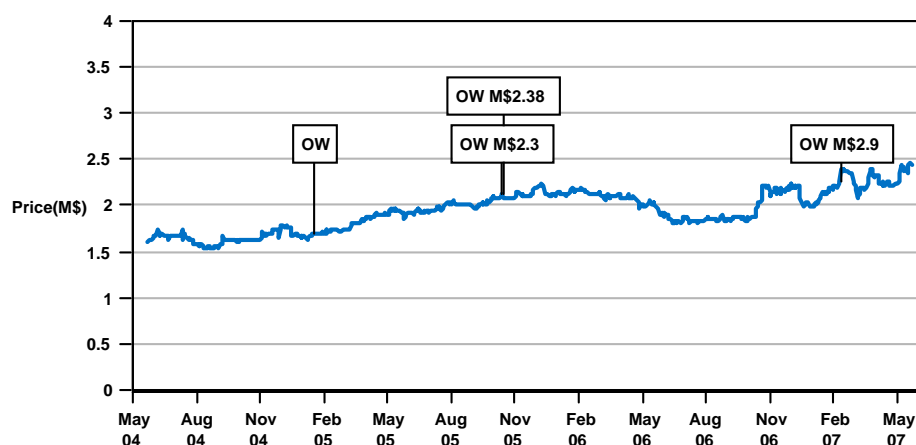
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YTL Power (YTLP.KL) Price Chart



Date	Rating	Share Price (M\$)	Price Target (M\$)
17-Jan-05	OW	1.70	-
12-Oct-05	OW	2.12	2.30
13-Oct-05	OW	2.12	2.38
09-Feb-07	OW	2.27	2.90

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends.
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YTL Power - Summary of Financials

Profit and Loss statement						Cash flow statement					
M\$ in millions, year-end June	FY05A	FY06A	FY07E	FY08E	FY09E	M\$ in millions, year-end June	FY05A	FY06A	FY07E	FY08E	FY09E
Revenues	3,699	3,758	3,939	4,078	4,183	EBIT	1,543	1,614	1,797	1,863	1,988
% change Y/Y	8.6	1.6	4.8	3.5	2.6	Depreciation & amortisation	699	705	745	810	882
Gross Margin (%)	60.6	61.7	64.5	65.5	68.6	Change in working capital	71	22	-76	-6	-64
EBITDA	2,242	2,319	2,541	2,673	2,870	Taxes	-206	-252	-285	-301	-322
% change Y/Y	14.0	3.4	9.6	5.2	7.4	Cash flow from operations	1,186	1,576	1,611	1,797	1,918
EBITDA Margin (%)	60.6	61.7	64.5	65.5	68.6	Capex	-1,278	-1,318	-1,318	-1,190	-1,190
EBIT	1,543	1,614	1,797	1,863	1,988	Disposal/ (purchase)	-544	0	0	0	0
% change Y/Y	5.4	4.6	11.3	3.7	6.7	Net Interest	-671	-661	-756	-756	-752
EBIT Margin (%)	41.7	42.9	45.6	45.7	47.5	Free cash flow	-92	258	294	607	728
Net Interest	(671)	(661)	(756)	(756)	(752)	Equity raised/ (repaid)	-200	-200	-220	-330	-330
Earnings before tax	1,033	1,203	1,278	1,338	1,467	Debt raised/ (repaid)	915	-6	-1	-1	-65
% change Y/Y	22.5	16.5	6.2	4.7	9.7	Other	-331	-360	-369	-369	-369
Tax	(291)	(329)	(338)	(352)	(381)	Dividends paid	-331	-360	-369	-517	-591
as % of EBT	28.1	27.4	26.4	26.3	26.0	Beginning cash					
Net Income (Reported)	742	874	940	986	1,085	Ending cash	4,551	4,783	4,665	4,748	4,888
% change Y/Y	21.0	17.7	7.6	4.9	10.1	DPS - M\$	0.072	0.072	0.072	0.072	0.072
Shares Outstanding	4997	5131	5131	5131	5131						
EPS (reported) - M\$	0.149	0.170	0.183	0.192	0.212						
% change Y/Y	11.7	14.6	7.6	4.9	10.1						
Balance sheet						Ratio Analysis					
M\$ in millions, year-end June	FY05A	FY06A	FY07E	FY08E	FY09E	%, year-end June	FY05A	FY06A	FY07E	FY08E	FY09E
Cash and cash equivalents	4,551	4,783	4,665	4,748	4,888	EBITDA margin	60.6	61.7	64.5	65.5	68.6
Accounts receivable	1,099	1,069	1,171	1,212	1,243	Operating margin	60.6	61.7	64.5	65.5	68.6
Inventories	138	153	147	152	156	Net profit margin	20.1	23.2	23.9	24.2	25.9
Others	0	0	0	0	0	SG&A/sales	n.a.	n.a.	n.a.	n.a.	n.a.
Current assets	5,789	6,005	5,983	6,112	6,287	Sales per share growth	0.2	(1.1)	4.8	3.5	2.6
LT investments						Sales growth	8.6	1.6	4.8	3.5	2.6
Net fixed assets	16,102	17,093	17,227	17,763	18,162	Net profit growth	21.0	17.7	7.6	4.9	10.1
Total assets	21,890	23,098	23,210	23,875	24,449	EPS growth	11.7	14.6	7.6	4.9	10.1
Liabilities						Interest coverage (x)	-3.3	-3.5	-3.4	-3.5	-3.8
ST loans	1,511	1,065	1,065	1,065	1,000	Net debt to total capital (x)	0.4	0.3	0.3	0.3	0.3
Payables	0	0	0	0	0	Net debt to equity (x)	1.6	1.4	1.3	1.1	1.0
Others	944	1,011	922	927	871	Sales/assets (x)	0.2	0.2	0.2	0.2	0.2
Total current liabilities	2,455	2,076	1,987	1,991	1,871	Assets/equity (x)	4.2	4.0	3.7	3.5	3.2
Long term debt	11,257	11,542	11,541	11,541	11,476	ROE	14.2	15.2	14.9	14.3	14.2
Other liabilities	2,950	2,897	2,941	2,985	3,029	ROCE	8.6	8.8	9.5	9.5	9.9
Total liabilities	16,663	16,515	16,470	16,518	16,376						
Shareholders' equity	5,228	5,729	6,299	6,916	7,632						
BVPS - M\$	1.046	1.117	1.228	1.348	1.487						

Source: Company Reports and JPMorgan Estimates.