

**HLIB Research**

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**BUY** (Maintain)

**Target Price: RM2.05**
**Previously: RM1.50**
**Current Price: RM1.15**

Capital upside	78.3%
Dividend yield	5.2%
Expected total return	83.5%

**Sector coverage:** Utility

**Company description:** YTL Power International Berhad is an investment holding company, with investments in power generation, power transmission, power retailing, water and sewage treatment, and telecommunication services.

**Share price**

**Stock information**

Bloomberg ticker	YTLP MK
Bursa code	6742
Issued shares (m)	8,102
Market capitalisation (RM m)	9,317
3-mth average volume ('000)	14,032
SC Shariah compliant	No
F4GBM Index member	No
ESG rating	N.A.

**Major shareholders**

YTL Corp	49.1%
Yeoh Tiong Lay & Sons Hldg	9.9%
Permodalan Nasional Bhd	6.9%

**Earnings summary**

FYE (Dec)	FY22	FY23f	FY24f
PATMI - core (RM m)	347	1,304	1,540
EPS - FD core (sen)	4.2	15.6	18.4
P/E (x)	27.7	7.4	6.2

# YTL Power International

## Achieving a new record high

YTLP reported a solid core PATMI of RM477.8m for 3QFY23 (+44.6% QoQ, +12.3x YoY), bringing 9MFY23 to RM984.9m (+5.1x YoY), attributed to the strong recovery of Singapore Seraya Power operation. The results were above HLIB FY23 forecast (108.9%) and consensus (138.1%). We expect sustainable Singapore Seraya performance in FY23 and further boosted by UK Wessex Water in FY24. Raised FY23-25f earnings by 25-84%. Maintain BUY with a higher TP: RM2.05 (from RM1.50) based on 10% discount to FD SOP: RM2.29, given the strong earnings recovery and attractive dividend yield.

**Above expectations.** Core PATMI surged to RM477.8m in 3QFY23 (+44.6% QoQ, +12.3x YoY), boosting 9MFY23 to RM984.9m (+5.1x YoY). The results were above HLIB FY23 expectation (108.9%) and consensus (138.1%), mainly driven by higher contributions of Singapore Seraya Power. In 9MFY23, there were EIs of -RM62.6m, mainly due to -RM65.3m on impairments/provisions and -RM16.0m fair value loss on investments, partially offset by RM5.7m disposal gain and RM12.0m unrealised forex gain. We have also adjusted the quarterly depreciation charges to better reflect its underlying performance, following the group's review on lower depreciation policy for Wessex Water lump adjustments in 3QFY23.

**Dividend.** Declared first interim dividend of 2.5 sen/share (ex-date: 9 Jun 2023).

**QoQ; YoY & YTD.** Core PATMI improved by +44.6% QoQ and +12.3x YoY to RM477.8m in 3QFY23 and +5.1x in 9MFY23 (to RM984.9m), mainly driven by stronger contribution from Singapore Seraya Power (on improved retail price and margin), which was partially offset by higher losses from; (i) UK Wessex Water on inflationary cost pressure (including index-link interest costs); Yes Communications on lower project contribution; and (iii) Holding co and investments on weaker contribution from associates.

**Outlook.** Post-acquisition of Tuaspring in 4QFY22, Singapore Seraya Power continued to deliver exceptionally strong earnings YTD, leveraging onto the new asset, higher retail prices and locked-in low gas prices to expand its market share and improve its overall margins. The subsidiary is also expected to gain from the awarded 100MW export/import contract to Singapore from Malaysia and building electric charging points (not less than 1,200 units) at Housing & Development Board carparks in Singapore. The recent approval by Malaysia government to allow export of RE, is expected to benefit YTLP, as the group continues to seek earnings growth through RE exports to Singapore. UK Wessex Water is expected to turnaround in the subsequent quarter after the tariff revision of +9% effective April 2023. Yes Communications remains a concern given the recent sharp drop in services revenue. The subsidiary continues to explore innovative 5G services by leveraging onto DNB. The group is also developing YTL Green Data Centre (first development with Sea Limited), supported by the development of 500MW LSS in Kulai. Furthermore, the group will also leverage onto the awarded digital banking license (Sea Limited-YTLP consortium), targeting the MSMEs segment.

**Forecast.** We have adjusted earnings for FY23-25f by +84.0%, +56.4% and +25.0% respectively to account for higher revenue and improved margins.

**Maintain BUY, TP: RM2.05.** We uphold our BUY recommendation, with a higher TP of RM2.05 (from RM1.50), based on 10% discount to FD-SOP (RM2.29), as we believe the current valuation is relatively undemanding, given the strong earnings recovery of Singapore Seraya Power while dividend may surprise on the upside.

## Financial Forecast

All items in (RM m) unless otherwise stated

### Balance Sheet

FYE Jun	FY21	FY22	FY23f	FY24f	FY25f
Cash	8,593	6,880	6,595	6,642	6,478
Receivables	2,869	3,455	4,082	4,157	3,601
Inventories	351	493	612	624	540
PPE	24,836	24,556	24,941	25,305	25,654
Others	15,426	15,617	15,967	16,317	16,667
<b>Assets</b>	<b>52,074</b>	<b>51,001</b>	<b>52,197</b>	<b>53,044</b>	<b>52,940</b>
Payables	2,574	3,379	3,841	3,832	3,264
Debt	30,356	27,737	27,751	27,759	27,761
Others	6,237	5,828	5,828	5,828	5,828
<b>Liabilities</b>	<b>39,167</b>	<b>36,944</b>	<b>37,421</b>	<b>37,420</b>	<b>36,854</b>
Shareholder's equity	13,018	14,315	15,214	16,227	16,848
Minority interest	(110)	(257)	(437)	(602)	(762)
<b>Equity</b>	<b>12,907</b>	<b>14,057</b>	<b>14,776</b>	<b>15,624</b>	<b>16,086</b>

### Cash Flow Statement

FYE Jun	FY21	FY22	FY23f	FY24f	FY25f
Profit before taxation	546	429	1,517	1,906	1,574
D&A	1,090	1,074	1,106	1,127	1,141
Working capital	(88)	(220)	(284)	(95)	71
Taxation	(66)	(73)	(243)	(381)	(315)
Others	(147)	99	(350)	(350)	(350)
<b>CFO</b>	<b>1,335</b>	<b>1,309</b>	<b>1,747</b>	<b>2,206</b>	<b>2,122</b>
Capex	(1,763)	(1,759)	(1,490)	(1,490)	(1,490)
Asset disposal	68	87	0	0	0
Acquisitions	(81)	(422)	0	0	0
Others	644	1,755	0	0	0
<b>CFI</b>	<b>(1,132)</b>	<b>(340)</b>	<b>(1,490)</b>	<b>(1,490)</b>	<b>(1,490)</b>
Changes in debt	1,434	(2,168)	14	8	2
Shares issued	0	0	0	0	0
Dividends	(162)	(365)	(405)	(527)	(648)
Others	(199)	(173)	(150)	(150)	(150)
<b>CFF</b>	<b>1,073</b>	<b>(2,706)</b>	<b>(541)</b>	<b>(669)</b>	<b>(796)</b>
<b>Net cash flow</b>	<b>1,276</b>	<b>(1,737)</b>	<b>(285)</b>	<b>47</b>	<b>(165)</b>
Forex	367	(46)	0	0	0
Others	(535)	70	0	0	0
Beginning cash	7,485	8,593	6,880	6,595	6,642
Ending cash	8,593	6,880	6,595	6,642	6,478

### Income Statement

FYE Jun	FY21	FY22	FY23f	FY24f	FY25f
Revenue	10,785	17,805	20,410	20,785	18,006
EBITDA	2,338	2,283	3,709	4,123	3,813
EBIT	1,126	1,081	2,603	2,996	2,672
Interest income	6	3	10	13	13
Interest expense	(952)	(990)	(1,446)	(1,454)	(1,461)
Associates & JV	366	335	350	350	350
Core PBT	546	429	1,517	1,906	1,574
Reported PBT	634	1,373	1,517	1,906	1,574
Tax	(103)	(104)	(243)	(381)	(315)
Net profit	443	325	1,274	1,525	1,260
Minority interest	(43)	22	30	15	10
<b>Core PATMI</b>	<b>400</b>	<b>347</b>	<b>1,304</b>	<b>1,540</b>	<b>1,270</b>
Exceptionals	(545)	861	0	0	0
Reported PATMI	(146)	1,207	1,304	1,540	1,270
Concensus			713	771	786
HLIB/Concensus (%)			182.8%	199.8%	161.5%

### Valuation & Ratios

FYE Jun	FY21	FY22	FY23f	FY24f	FY25f
Reported EPS (sen)	(1.8)	14.9	16.1	19.0	15.7
Core EPS (sen)	4.9	4.3	16.1	19.0	15.7
FD Core EPS (sen)	4.8	4.2	15.6	18.4	15.2
Core P/E (x)	24.0	27.7	7.4	6.2	7.6
DPS (sen)	4.5	4.5	6.0	8.0	8.0
Share DPS (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield	3.9%	3.9%	5.2%	7.0%	7.0%
BVPS (RM)	1.61	1.77	1.88	2.00	2.08
P/B (x)	0.7	0.7	0.6	0.6	0.6
EBITDA margin	21.7%	12.8%	18.2%	19.8%	21.2%
EBIT margin	10.4%	6.1%	12.8%	14.4%	14.8%
PBT margin	5.1%	2.4%	7.4%	9.2%	8.7%
Net margin	3.7%	1.9%	6.4%	7.4%	7.1%
ROE	3.2%	2.5%	8.8%	9.8%	7.7%
ROA	0.8%	0.7%	2.5%	2.9%	2.4%
Net gearing	-167.2%	-145.7%	-139.1%	-130.1%	-126.3%

### Assumptions

FYE Jun	FY21	FY22	FY23f	FY24f	FY25f
<b>Revenue</b>	<b>10,785</b>	<b>17,805</b>	<b>20,410</b>	<b>20,785</b>	<b>18,006</b>
Power Generation	261	0	0	0	0
Multi Utilities	6,014	12,721	15,112	15,414	12,578
Water & Sewerage	3,778	4,110	4,198	4,114	4,114
Mobile Broadband	541	678	601	757	815
Holdings Cos	190	296	500	500	500
<b>PBT</b>	<b>634</b>	<b>1,373</b>	<b>1,517</b>	<b>1,906</b>	<b>1,574</b>
Power Generation	35	5	0	0	0
Multi Utilities	275	416	1,736	1,787	1,341
Water & Sewerage	494	378	76	329	368
Mobile Broadband	(191)	(197)	(321)	(249)	(186)
Holdings Cos	21	770	25	39	52

**Figure #1** Quarterly results comparison

FYE Jun (RMm)	3QFY22	2QFY23	3QFY23	QoQ (%)	YoY (%)	9MFY22	9MFY23	YoY (%)
<b>Revenue</b>	<b>4,670.8</b>	<b>4,702.8</b>	<b>5,357.5</b>	<b>13.9%</b>	<b>14.7%</b>	<b>13,318.1</b>	<b>14,804.7</b>	<b>11.2%</b>
Power Generation (Contracted)	0.0	0.0	0.0	#DIV/0!	#DIV/0!	0.0	0.0	#DIV/0!
Multi Utilities (Merchant)	3,453.3	3,386.8	4,120.1	21.7%	19.3%	9,434.6	10,970.5	16.3%
Water & Sewerage	1,010.7	1,039.4	995.5	-4.2%	-1.5%	3,079.2	3,084.5	0.2%
Mobile Broadband Network	115.6	138.7	109.3	-21.2%	-5.4%	549.7	360.9	-34.4%
Investment Holdings	91.3	137.8	132.5	-3.9%	45.2%	254.6	388.8	52.7%
<b>EBITDA</b>	<b>514.6</b>	<b>939.7</b>	<b>1,233.5</b>	<b>31.3%</b>	<b>139.7%</b>	<b>1,542.2</b>	<b>2,819.4</b>	<b>82.8%</b>
EBITDA Margin (%)	11.0%	20.0%	23.0%	3.0%	12.0%	11.6%	19.0%	7.5%
<b>EBIT</b>	<b>225.4</b>	<b>659.8</b>	<b>950.3</b>	<b>44.0%</b>	<b>321.6%</b>	<b>740.3</b>	<b>2,084.4</b>	<b>181.6%</b>
EBIT Margin (%)	4.8%	14.0%	17.7%	3.7%	12.9%	5.6%	14.1%	8.5%
Net Finance Expense	(250.2)	(376.4)	(428.5)	13.8%	71.2%	(717.5)	(1,134.1)	58.1%
Associates	56.9	79.3	46.8	-41.0%	-17.8%	209.0	209.2	0.1%
<b>Core PBT</b>	<b>32.1</b>	<b>362.6</b>	<b>568.6</b>	<b>56.8%</b>	<b>1670.6%</b>	<b>231.7</b>	<b>1,159.4</b>	<b>400.3%</b>
Core PBT Margin (%)	0.7%	7.7%	10.6%	2.9%	9.9%	1.7%	7.8%	6.1%
Els	1,015.6	(47.5)	35.6			996.6	(74.2)	
Forex	(10.7)	(53.2)	6.2			(14.8)	12.0	
Reported PBT	1,037.0	261.9	610.4	133.0%	-41.1%	1,213.6	1,097.2	-9.6%
PBT Margin (%)	22.2%	5.6%	11.4%	5.8%	-10.8%	9.1%	7.4%	-1.7%
Power Generation (Contracted)	(5.3)	0.0	0.0	#DIV/0!	-100.0%	(16.5)	0.0	-100.0%
Multi Utilities (Merchant)	135.2	301.5	806.4	167.5%	496.4%	224.8	1,397.8	521.7%
Water & Sewerage	89.1	(16.1)	(47.2)	193.4%	-152.9%	364.5	(37.8)	-110.4%
Mobile Broadband Network	(85.7)	(71.9)	(103.2)	43.4%	20.4%	(136.3)	(259.1)	90.1%
Investment Holdings	903.7	42.5	(45.6)	-207.3%	-105.0%	777.1	(9.6)	-101.2%
Tax	6.8	(30.0)	(78.8)			(143.6)	(194.2)	
Minority	(33.6)	(2.1)	(12.0)	468.5%	-64.3%	(5.6)	19.8	-454.0%
PATMI	1,010.2	229.9	519.6	126.1%	-48.6%	1,064.4	922.8	-13.3%
<b>Core PATMI</b>	<b>35.8</b>	<b>330.6</b>	<b>477.8</b>	<b>44.6%</b>	<b>1233.3%</b>	<b>162.0</b>	<b>984.9</b>	<b>507.9%</b>
Core PATMI Margin (%)	0.8%	7.0%	8.9%	1.9%	8.2%	1.2%	6.7%	5.4%
EPS (Sen)	12.5	2.8	6.4	126.1%	-48.6%	13.1	11.4	-13.3%
Core EPS (Sen)	0.4	4.1	5.9	44.6%	1233.3%	2.0	12.2	507.9%
FD Core EPS (Sen)	0.4	4.1	5.9	44.6%	1233.3%	2.0	12.2	507.9%

Bursa, HLIB Research

**Figure #2** YTLP sum-of-parts valuation

Division	Stakes (%)	Value (RMm)	RM/Share	Basis
Wessex Water, UK	100.0%	10,095.8	1.25	1.2x FY22 EV/RAB - debt
Power Seraya	100.0%	11,463.8	1.41	2.2x FY22 P/B
YTL Communication (YES)	60.0%	925.8	0.11	0.8x FY22 P/B
Attarat Power	45.0%	1,182.2	0.15	DCF 12%
Jawa Power	20.0%	902.7	0.11	1.0x FY22 P/B
Total		24,570.3	3.03	
FY22 Co Net Debts		(5,627.4)	(0.69)	As at end FY22
<b>SOP</b>		<b>18,942.9</b>	<b>2.34</b>	
No of Shares		8,102.2		As at end FY22
Cash from Warrants & ESOS		147.0		As at end FY22
<b>FD SOP</b>		<b>19,089.9</b>	<b>2.29</b>	
Discounts			10%	Holding Company Discounts
<b>Target Price (RM)</b>			<b>2.05</b>	
FD No of Shares		8,353.9		

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<b>BUY</b>	Expected absolute return of +10% or more over the next 12 months.
<b>HOLD</b>	Expected absolute return of -10% to +10% over the next 12 months.
<b>SELL</b>	Expected absolute return of -10% or less over the next 12 months.
<b>UNDER REVIEW</b>	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
<b>NOT RATED</b>	Stock is not or no longer within regular coverage.

### Sector rating guide

<b>OVERWEIGHT</b>	Sector expected to outperform the market over the next 12 months.
<b>NEUTRAL</b>	Sector expected to perform in-line with the market over the next 12 months.
<b>UNDERWEIGHT</b>	Sector expected to underperform the market over the next 12 months.

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