

# YTL POWER

(YTLP MK EQUITY, YTLP.KL)

**BUY**

(Maintained)

Price: RM3.20

Target Price (% return): RM3.72 (16.3%)

52-week High/Low: RM4.42/RM2.51

**Power**

Rationale for report: Company Update

## Data centres are gaining traction

*YTL Power held an analyst briefing yesterday. We understand that the data centre operations are gaining traction. YTL Power plans to increase the installed capacity of its Johor Data Centre from 500MW to 1,000MW by FY29F. We believe that potential tenants would be mainly American hyper-scalers. The group also plans to list the data centre unit in the long-term. Operationally, we reckon that YTLP Seraya would perform better in 2H2026 on the back of higher electricity tariffs. We maintain BUY on YTLP with a target price of RM3.72/share.*

- **BUY with a higher TP of RM3.72/share vs. RM3.37/share previously.** Our TP is based on a CY27F fully diluted PE of 15x instead of CY26F originally. The PE of 15x is one SD above the five-year average of 12x. We applied a premium as YTLP's long-term earnings are expected to be stable and recurrent underpinned by data centres.
- **Data centres are ramping up operations.** We gather that YTLP is receiving more interest from American customers as it is getting more challenging to set up data centres in the US. This is due to electricity and turbine shortages. As such, YTLP would be raising the installed capacity of its data centre from 500MW to 1,000MW. In terms of occupancy, about 86MW were taken up in 2025 and another 58MW would be filled up this year.
- **To be conservative, we forecast a modest pre-tax pro fit of RM85mil for the data centres in FY26F.** This assumes a take-up capacity of 86MW for the co-location and 10MW for the AI data centre. We expect a higher pre-tax profit of RM150mil in FY27F as the data centre increases its occupancy rate to 144MW.
- **YTLP Seraya to benefit from higher electricity tariffs.** We reckon that the higher gas costs would be passed down to customers when contracts are renewed. Electricity tariffs for the spot market have also gone up in line with the gas prices. According to the EMA (Energy Market Authority of Singapore), USEP (Uniformed Singapore Energy Price) has climbed from below S\$100/MWh to almost S\$200/MWh currently. We forecast YTLP's Singapore unit to record a stronger pre-tax profit of RM1.4bil in FY27F vs. RM1.3bil in FY26F.

### Analyst (s)

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### Key Changes

Target Price:

EPS:

### Stock and Financial Data

Shares Outstanding (million)	8,219.4
Market Cap (RMmil)	26,302.1
Book Value (RM/Share)	2.60
P/BV (x)	1.2
ROE (%)	12.3
Net Gearing (%)	124.3
Free Float	44.4
Avg Daily Value (RMmil)	26.8

### Major Shareholders

YTL Corp	55.6%
EPF	2.5%

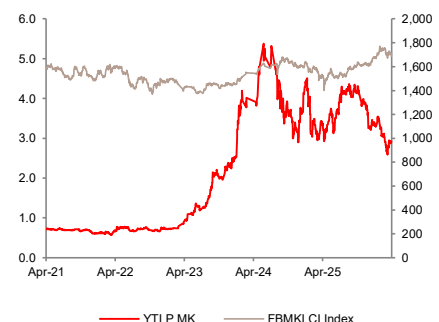
Price performance	3mth	6mth	12mth
Absolute (%)	(0.4)	(31.1)	(12.9)
Relative (%)	(12.8)	(34.2)	(21.9)

Source: YTL POWER, AmInvestment Bank

YE to Jun	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	21,801.8	20,624.2	21,048.3	21,481.2
Core net profit (RM mil)	2,545.4	1,974.9	2,220.1	2,441.4
FD Core EPS (sen)	27.0	21.2	23.7	25.9
FD Core EPS growth (%)	(25.8)	(22.4)	12.4	10.0
Consensus Net Profit (RM mil)		2,523.0	2,622.0	2,827.0
DPS (sen)	8.0	8.0	8.5	9.0
FD PE (x)	11.9	15.1	13.5	12.3
EV/EBITDA (x)	8.5	10.3	10.1	11.4
Div yield (%)	2.5	2.5	2.7	2.8
ROE (%)	12.3	9.0	9.5	9.8
Net Gearing (%)	124.3	135.2	135.9	137.8

Source: YTL POWER, AmInvestment Bank

### Price Chart



## Company profile

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YTL Power (YTLP) is involved in power generation, water and sewerage management, mobile broadband services and data centre activities.

YTLP's earnings come from the sale of electricity in Singapore, provision of water and sewerage services in the United Kingdom and sale of broadband services in Malaysia. The group also operates data centres in Johor, Malaysia.

More than 80% of YTLP's pre-tax profit comes from the utility division in Singapore. The balance is from water and sewerage and the investment holding division, which comprise mainly share of earnings in PT Jawa, Indonesia and Attarat Power Plant in Jordan. Mobile broadband services are loss-making.

In Singapore, retail customers are YTLP's main clientele. In UK, the customers are mainly households. The mobile broadband network's customers are largely individuals.

YTLP has operations in Singapore, United Kingdom and Malaysia. YTLP also has presence in Indonesia and Jordan via associates.

YTLP's competitive advantage lies in its recurring and stable income in Singapore. Profit margin spreads for the retail energy contracts are locked in for one to two years.

## Investment thesis and catalysts

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We have a BUY on YTLP as the power earnings in Singapore are recurring and the group's long-term earnings growth is envisaged to be underpinned by the data centre unit in Johor.

Share price kickers are the award of a new gas power plant in Malaysia and stronger-than-expected earnings from the data centre unit and YTLP Seraya.

## Valuation methodology

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We have applied a CY27F fully diluted PE of 15x at YTLP's target price of RM3.72/share. The PE of 15x is one SD higher than the five-year average of 12x. We applied a premium as YTLP provides an indirect exposure to Nvidia.

## Risk factors

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Key risks are lower energy tariffs in Singapore, import restrictions on Nvidia chips for the AI data centre in Johor, high costs at the data centres and losses at Wessex Water.

**EXHIBIT 1. VALUATIONS**

Target PE (x)	15
CY27F fully diluted EPS	24.8
ESG premium	-
12-month TP (RM)	3.72

**EXHIBIT 2. ESG MATRIX**

	Environmental assessment	Parameters	Weightage	Rating					Rationale
				*	*	*	*	*	
1	GHG emissions	Net zero by 2050F	25%	*	*	*			Scope 1 emissions rose by 32.3% in FY25 due to consolidation of Ranhill Group
2	Exposure to renewables	More than 20% of generation mix or capacity	25%	*	*	*			Small. Predominantly, gas power plant operator
3	Contribution of coal to earnings	Less than 20%	25%	*	*	*	*		Coal is estimated to account for 7.1% of FY25 core net profit - PT Jawa
4	Waste management	Volume of waste generated	25%	*	*	*			Waste generated rose to 335,587 tonnes in FY25 from 225,901 tonnes in FY24
	<b>Weighted score for environmental assessment</b>		<b>100%</b>	*	*	*	*		
	<b>Social assessment</b>								
1	Worker's welfare	Learning and development hours	33%	*	*	*			77,254 hours by executive and 196,697 hours by non-executive in FY25
2	Work site safety	Injuries	33%	*	*	*	*	*	One in FY25
3	Lost Time Injury Frequency	Below 1	33%	*	*	*			0.63 in FY25 vs. 1.04 in FY24
	<b>Weighted score for social assessment</b>		<b>100%</b>	*	*	*	*		
	<b>Governance assessment</b>								
1	Related party transactions	Value of RPTs	40%	*	*	*			RM1,319.7mil in FY25 - with related companies
2	Women in workforce	% in workforce	30%	*	*	*			25% of workforce were women in FY25 vs. 27% in FY24
3	Remuneration to directors	Total value of remuneration or % of salary costs	30%	*	*	*			RM46.1mil in FY25 vs. RM40.1mil in FY24
	<b>Weighted score for governance assessment</b>		<b>100%</b>	*	*	*			

Source: Company, AmInvestment Bank Bhd

## Financial Summary

### Income Statement (RMmil)

YE to Jun	FY24	FY25	FY26F	FY27F	FY28F
Revenue	22,284.3	21,801.8	20,624.2	21,048.3	21,481.2
EBITDA	6,630.7	6,112.7	5,464.2	5,756.0	5,330.6
Depreciation/Amortisation	(1,321.0)	(1,909.8)	(1,872.7)	(1,906.0)	(1,251.3)
Operating income (EBIT)	5,309.7	4,202.9	3,591.5	3,850.0	4,079.3
Other income & associates	264.8	405.2	409.2	413.3	417.5
Net interest	(1,743.7)	(1,505.3)	(1,611.7)	(1,580.1)	(1,548.1)
Exceptional items	202.0	207.7	0.0	0.0	0.0
<b>Pretax profit</b>	<b>4,032.9</b>	<b>3,310.4</b>	<b>2,389.1</b>	<b>2,683.2</b>	<b>2,948.6</b>
Taxation	(611.0)	(638.6)	(406.1)	(456.1)	(501.3)
Minorities/pref dividends	(15.6)	(126.4)	(8.0)	(7.0)	(6.0)
<b>Net profit</b>	<b>3,406.3</b>	<b>2,545.4</b>	<b>1,974.9</b>	<b>2,220.1</b>	<b>2,441.4</b>
Core net profit	3,204.3	2,337.8	1,974.9	2,220.1	2,441.4

### Balance Sheet (RMmil)

YE to Jun	FY24	FY25	FY26F	FY27F	FY28F
Fixed assets	31,417.9	36,020.4	33,425.8	34,160.4	35,563.4
Intangible assets	10,864.2	10,498.3	9,975.4	9,452.5	8,929.5
Other long-term assets	9,377.1	9,165.1	7,827.9	8,218.6	8,302.1
<b>Total non-current assets</b>	<b>51,659.1</b>	<b>55,683.8</b>	<b>51,229.2</b>	<b>51,831.5</b>	<b>52,795.0</b>
Cash & equivalent	8,889.9	12,218.7	10,017.7	9,889.4	9,274.1
Stock	988.5	876.7	334.0	335.0	336.0
Trade debtors	5,124.6	4,744.0	4,791.5	4,839.4	4,887.8
Other current assets	1,170.0	1,334.0	6,381.0	9,259.0	12,537.0
<b>Total current assets</b>	<b>16,173.0</b>	<b>19,173.4</b>	<b>21,524.2</b>	<b>24,322.8</b>	<b>27,034.9</b>
Trade creditors	5,478.2	6,266.4	3,955.3	4,036.7	4,119.7
Short-term borrowings	2,016.6	2,590.9	2,590.9	2,590.9	2,590.9
Other current liabilities	1,950.2	1,994.1	706.1	707.1	708.1
<b>Total current liabilities</b>	<b>9,444.9</b>	<b>10,851.3</b>	<b>7,252.3</b>	<b>7,334.6</b>	<b>7,418.7</b>
Long-term borrowings	30,427.1	35,369.8	37,138.3	38,995.2	40,945.0
Other long-term liabilities	7,504.5	7,022.4	5,490.4	5,490.4	5,490.4
<b>Total long-term liabilities</b>	<b>37,931.6</b>	<b>42,392.2</b>	<b>42,628.7</b>	<b>44,485.6</b>	<b>46,435.4</b>
<b>Shareholders' funds</b>	<b>20,057.0</b>	<b>21,346.8</b>	<b>22,596.7</b>	<b>24,051.6</b>	<b>25,687.6</b>
Minority interests	398.3	267.4	275.4	282.4	288.4
BV/share (RM)	2.46	2.60	2.75	2.93	3.13

### Cash Flow (RMmil)

YE to Jun	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	4,032.9	3,310.4	2,389.1	2,683.2	2,948.6
Depreciation/Amortisation	1,321.0	1,909.8	1,872.7	1,906.0	1,251.3
Net change in working capital	(583.0)	48.5	(1,815.8)	32.4	33.6
Others	(231.4)	(1,027.5)	(859.1)	(917.6)	(971.6)
<b>Cash flow from operations</b>	<b>4,539.5</b>	<b>4,241.2</b>	<b>1,586.8</b>	<b>3,704.1</b>	<b>3,261.9</b>
Capital expenditure	(3,372.5)	(6,231.4)	(2,104.6)	(2,117.6)	(2,131.4)
Net investments & sale of fixed assets	0.0	0.0	0.0	0.0	0.0
Others	374.1	(424.2)	371.1	378.7	386.9
<b>Cash flow from investing</b>	<b>(2,998.4)</b>	<b>(6,655.6)</b>	<b>(1,733.5)</b>	<b>(1,738.9)</b>	<b>(1,744.5)</b>
Debt raised/(repaid)	(811.5)	6,108.1	(1,329.3)	(1,328.3)	(1,327.3)
Equity raised/(repaid)	53.3	582.0	0.0	0.0	0.0
Dividends paid	(688.9)	(498.7)	(725.0)	(765.2)	(805.4)
Others	(151.0)	(225.0)	0.0	0.0	0.0
<b>Cash flow from financing</b>	<b>(1,598.1)</b>	<b>5,966.4</b>	<b>(2,054.4)</b>	<b>(2,093.5)</b>	<b>(2,132.7)</b>
<b>Net cash flow</b>	<b>(57.0)</b>	<b>3,552.0</b>	<b>(2,201.0)</b>	<b>(128.3)</b>	<b>(615.3)</b>
<b>Net cash/(debt) b/f</b>	<b>8,727.5</b>	<b>8,728.5</b>	<b>11,770.5</b>	<b>9,569.5</b>	<b>9,441.1</b>
Forex	58.0	(510.0)	0.0	0.0	0.0
<b>Net cash/(debt) c/f</b>	<b>8,728.5</b>	<b>11,770.5</b>	<b>9,569.5</b>	<b>9,441.1</b>	<b>8,825.9</b>

### Key Ratios

YE to Jun	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	1.8	-2.2	-5.4	2.1	2.1
EBITDA growth (%)	33.9	-7.8	-10.6	5.3	-7.4
Pretax margin (%)	18.1	15.2	11.6	12.7	13.7
Net profit margin (%)	15.3	11.7	9.6	10.5	11.4
Interest cover (x)	3.8	4.1	3.4	3.6	3.4
Effective tax rate (%)	15.2	19.3	17.0	17.0	17.0
Dividend payout (%)	16.0	24.6	31.7	30.0	28.9
Debtors turnover (days)	84	79	85	84	83
Stock turnover (days)	16	15	6	6	6

Source: Company, AmInvestment Bank

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