



AmInvestment Bank

YTL POWER

(YTLP.MK, YTLP.KL)

6 May 2024

Company report

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De-coding DC earnings

BUY

(Maintained)

Rationale for report: Company Update

Price	RM4.79
Fair Value	RM6.25
52-week High/Low	RM4.84/RM1.06

Key Changes

Fair value	📌
EPS	📌

YE to Jun	FY23	FY24F	FY25F	FY26F
Revenue (RMmil)	21,890.5	22,093.7	21,874.5	28,586.1
Net Profit (RMmil)	2,028.0	3,202.1	3,264.3	4,054.6
EPS (sen)	24.9	39.3	40.0	49.7
EPS growth (%)	36.4	57.9	1.9	24.2
Consensus net profit (RMmil)		3,083.0	2,936.0	2,903.0
DPS (sen)	6.0	6.5	6.0	5.0
PE (x)	19.3	12.2	12.0	9.6
EV/EBITDA (x)	12.4	8.8	8.0	6.6
Div yield (%)	1.3	1.4	1.3	1.0
ROE (%)	12.9	17.7	15.7	17.0
Net gearing (%)	143.4	91.5	67.7	42.6

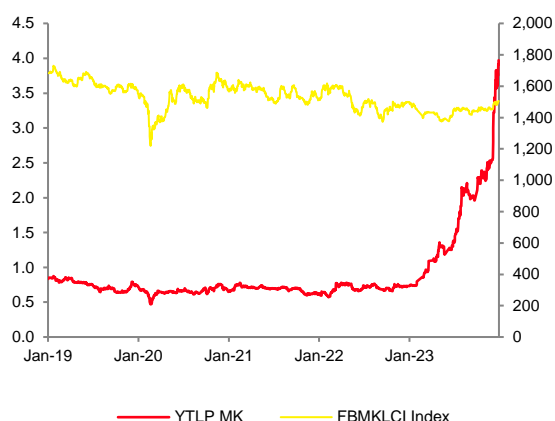
Stock and Financial Data

Shares Outstanding (million)	8,158.2
Market Cap (RM'mil)	39,077.8
Book value (RM/share)	2.06
P/BV (x)	2.3
ROE (%)	12.9
Net Gearing (%)	143.4

Major Shareholders	YTL Corp (55.6%) EPF (2.5%)
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Free Float (%)	44.4
Avg Daily Value (RMmil)	136.0

Price performance	3mth	6mth	12mth
Absolute (%)	+0.9	+110.1	+327.7
Relative (%)	+16.2	+91.9	+284.2



Investment Highlights

- We maintain BUY on YTL Power International (YTLP) with a higher SOP-based fair value of RM6.25/share vs. RM5.10/share previously. Our revised fair value implies FY25F PE of 16x and FY26F PE of 13x. We ascribe a 3-star ESG rating to YTLP.
- We have accounted for the FY26F earnings potential of data centres (DCs) in YTLP's SOP valuation. Previously, we used the asset value of the DC in our SOP estimate. We have raised YTLP's FY25F net profit by 1% to account for earnings from YTL Sentul DC 1 (5MW) and the non-AI section of YTL Johor DC 1 (8MW).
- For FY26F, we have raised YTLP's net earnings by 27% to account for earnings from the AI section of Johor DC 1. We have also assumed that SEA would take up another 8MW of the non-AI DC in FY26F.
- We believe that FY26F is a better reflection of the earnings potential of the DCs as there would be a full-year impact of the 100MW AI DC in Johor. The AI DC is expected to start operation at the end of 2024F. As for the non-AI section, SEA is anticipated to move in this month and take up 8MW of capacity. Eventually, SEA would be taking up 48MW of capacity in total.
- We think that the net profit of the 100MW AI section of Johor DC could potentially be more than RM1bil per year. This is based on a net profit margin of 20% on revenue of RM7bil. Our revenue estimate of RM7bil assumes a fee of US\$2.13/GPU/hour and 78,431 GPUs (graphics processing unit). Our conservative assumption of US\$2.13/GPU/hour is half of Coreweave's charges of US\$4.25/GPU/hour for Nvidia's H100 chip. YTLP's fee could potentially be higher than Coreweave as the group would be using the latest Nvidia GB200 Grace Blackwell superchip.
- Net earnings of the non-AI DC are not expected to be as significant as the AI DC. We estimate net profit of RM5.3mil for the Sentul DC and RM16.8mil for Johor DC. These assume a fee of RM1,750/month on 500 racks for Sentul DC and 1,600 racks for Johor DC. The fee of RM1,750/month is based on the charges of data centre operators for a 21U Rack in Cyberjaya and Kuala Lumpur. A 21U Rack can roughly hold 10 servers.
- YTLP's outlook is positive. Earnings growth is expected to come from the DCs while YTL Seraya in Singapore provide a stable and recurring base underpinned by locked-in profit margins. YTL DC's competitive edge lies in its partnership with Nvidia coupled with cheap land and energy costs.
- YTLP is currently trading at a FY25F PE of 12x, which is marginally below its 2-year average of 13x.

EXHIBIT 1: EARNINGS FORECAST OF DATA CENTRES

Non AI DC

Assume one server uses 1KW of energy

Sentul DC**5MW****Details**

Total number of servers required	5,000
Number of racks (Assume 21U Rack)	500
Rental income per month (RM)	1,750 Based on the charges of data centre operators in KL and Cyberjaya
Number of months	12
Total rental income (RMmil)	10.5
Net profit margin	50% Based on Keppel DC REIT and Mapletree Industrial Trust's net profit margins
Net profit per year (RMmil)	5.3

Johor Non AI DC

Assume 16MW by FY26F - SEA Ltd

Total number of servers required	16,000
Number of racks (Assume 21U Rack)	1,600
Rental income per month (RM)	1,750
Number of months	12
Total rental income (RMmil)	33.6
Net profit margin	50%
Net profit per year (RMmil)	16.8

Johor AI DC

Assume 100MW operational at end-2024F

Assume one H100 server uses 10.2KW of energy

Number of GPUs in one server	8	Details
Number of servers (100MW divide by 0.0102)	9,804	
Number of GPUs in total	78,431	
Charge per GPU per hour (US\$)	2.13	Assumes half of Coreweave's charge of US\$4.25/hour/GPU for H100
Total revenue per year (US\$mil)	1,460.0	
Exchange rate	4.77	
Total revenue per year (RMmil)	6,964.2	
Net profit margin	20%	
Net profit per year (RMmil)	1,392.8	
Net profit for six months - FY25F (RMmil)	696.4	

Net profit from M'sia DC (FY26F)	1,414.9
Shareholding	60%

Net profit from Singapore DC (FY26F)

12.5MW

FY26F net profit 37.3 10% growth p.a. from FY23's net profit of RM28mil (100% shareholding)

Shareholding	50%
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Total net profit from data centres (FY26F) 867.6**PE multiple (x)** 17 Average FY26F PE of Singapore DC REITs**Value (RMmil)** 14,748.7**FY25F DC earnings (RMmil)** 13.7**FY26F DC Earnings (RMmil)** 867.6

Source: AmlInvestment Bank

EXHIBIT 2: YTLP'S SOP

RMmil Details

YTL Power Seraya	27,939.1	DCF
Wessex Water	10,108.5	Regulated asset base less net debt
Ranhill Utilities - 21.7%	322.8	Share price of RM1.15
PT Jawa - 20%	1,612.0	Net asset value AR 2023
Attarat - 45%	1,331.4	DCF
YES - 60%	1,915.7	Net asset value AR 2023
Data Centres	14,748.7	PE on FY26F net profit
Co level cash	448.5	AR2023
Co level debt	(7,438.4)	AR2023
SOP	50,988.3	
Shares out	8,158.2	
SOP/share (RM)	6.25	

Source: AmlInvestment Bank

EXHIBIT 3: PB BAND CHART

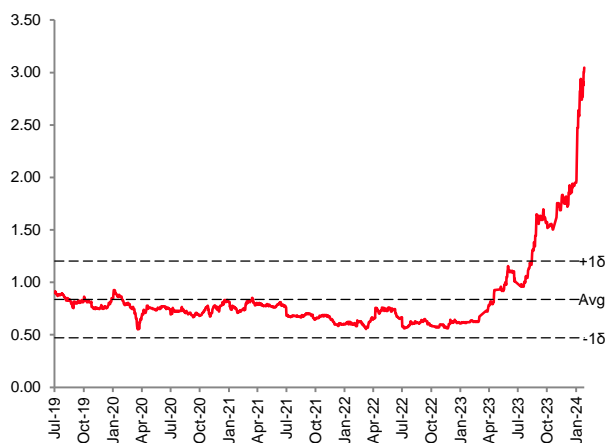


EXHIBIT 4: PE BAND CHART

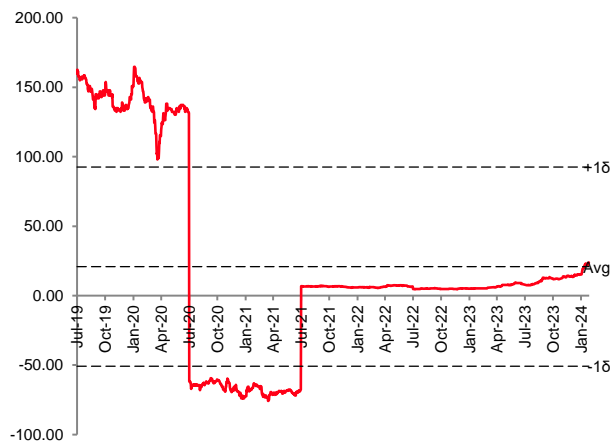


EXHIBIT 5: ESG MATRIX

	Environmental assessment	Parameters	Weightage	Rating					Rationale
1	GHG emissions	Net zero by 2050F	25%	*	*	*			Scope 1 emissions rose by 5% and Scope 2 increased by 27% in FY23 - higher base stations in telco unit
2	Exposure to renewables	More than 20% of generation mix or capacity	25%	*	*	*			Still small. Predominantly, gas power plant operator
3	Contribution of coal to earnings	Less than 20%	25%	*	*	*	*	*	Coal is estimated to account for 8.7% of FY23F net profit - PT Jawa
4	Waste management	Volume of waste generated	25%	*	*	*			Waste generated rose to 159,407 tonnes in FY23 from 148,921 tonnes in FY22
	Weighted score for environmental assessment		100%	*	*	*	*	*	
	Social assessment								
1	Workers welfare	Learning and development hours	33%	*	*	*			6,203 hours by executive and 48,712 hours by non-executive in FY23
2	Work site safety	Injuries	33%	*	*	*			9% reduction in injuries in Wessex Water in FY23
3	Lost Time Injury Frequency	Below 1	33%	*	*	*			12% decline in Wessex Water in FY23
	Weighted score for social assessment		100%	*	*	*	*	*	
	Governance assessment								
1	Related party transactions	Value of RPTs	40%	*	*	*			RM538mil in FY23, mainly with YTL Corp
2	Women in workforce	% in workforce	30%	*	*	*			26% of workforce were women in FY23
3	Remuneration to directors	Total value of remuneration or % of salary costs	30%	*	*	*			RM30.5mil in FY23
	Weighted score for governance assessment		100%	*	*	*	*	*	
	Environmental score		50%	*	*	*			
	Social score		30%	*	*	*			
	Governance score		20%	*	*	*			
	Overall ESG Score		100%	*	*	*	*	*	

Source: AmlInvestment Bank

MAINTAIN BUY WITH A HIGHER SOP-BASED FAIR VALUE OF RM6.25/SHARE VS. RM5.10/SHARE PREVIOUSLY

Our new SOP-based fair value of RM6.25/share accounts for the FY26F earnings potential of YTL Power's (YTLP) data centres (DC).

We ascribe a value of RM14.7bil to the DCs (see *Exhibit 1*). This is derived from a FY26F PE of 17x on the net profit of the DC (*Exhibit 1*).

The FY26F PE of 17x is the simple average of Singapore DC REITS such as Keppel DC REIT, Digital Core REIT and Mapletree Industrial REIT.

DCs are expected to account for RM14.7bil or 25% of YTLP's SOP of RM51bil while YTLP Seraya account for RM27.9bil or 48%. Wessex Water accounts for an additional 17% or RM10bil of YTLP's SOP (*Exhibit 2*).

YTLP has 3 DCs i.e. YTL Sentul Data Center 1, YTL Johor Data Center 1 and AP1 in Singapore.

Sentul DC has a capacity of 5MW while we estimate that Johor DC would have a capacity of 116MW in FY26F. Johor DC would have a total capacity of 500MW eventually. The Singapore DC has a capacity of 12.5MW.

EARNINGS ASSUMPTIONS FOR AI DC

□ Positive earnings potential

We forecast a net profit of RM1.4bil per year for the AI DC in Johor. This is based on a net profit margin of 20% on revenue of RM7bil (see *Exhibit 1*).

The net profit margins of Singapore DC REITS range between 50% and 60%. To be conservative, however, we have imputed a lower net profit margin of 20% for the AI DC. We believe that the net profit margin of 20% is conservative enough to account for the costs of Nvidia chips, cooling system, electricity and high interest/depreciation expenses.

In forecasting the AI DC's revenue, we assume that 100MW would be operational and a H100 server uses 10.2KW of electricity. We have also assumed that there would be 8 GPUs (graphics processing units) in a server.

All these translate into 78,431 GPUs in total. Assuming a fee of US\$2.13/GPU/hour and an exchange rate of US\$1.00: RM4.77, revenue would come up to be RM7bil per year. The fee of US\$2.13/GPU/hour is 50% of Coreweave's charge of US\$4.25/GPU/hour for H100 chips.

As YTLP would be using the latest Nvidia Blackwell chips, the group may charge higher than US\$2.13/GPU/hour in FY26F.

EARNINGS ASSUMPTIONS FOR NON-AI DC

□ Relatively small Sentul DC

We forecast a net profit of RM5.3mil for Sentul DC (5MW). This assumes a 50% net profit margin on revenue of RM10.5mil (*Exhibit 1*).

We derived the RM10.5mil revenue by assuming a fee of RM1,750/month on 500 racks. Data centre operators in KL and Cyberjaya are charging RM1,758/month for a 21U rack. A 21U rack can hold roughly 10 servers. We have assumed that a server uses 1KW of electricity.

□ Non-AI DC's net profit could be RM15mil-RM20mil

We have assumed that SEA Ltd would take up 16MW in FY26F. We estimate that this would require about 16,000 servers or 1,600 racks.

Based on a fee of RM1,750/month on 1,600 racks, revenue would come up to RM33.6mil. Assuming a net profit margin of 50%, net earnings would be RM16.8mil.

□ Assuming 10% growth p.a. for Singapore DC

According to YTLP's 2023 Annual Report, the 12.5MW DC in Singapore recorded a net profit of RM28mil. Assuming a 10% growth per year until FY26F, this translates into net earnings of RM37.3mil in FY26F.

BRIGHT EARNINGS OUTLOOK

□ Growth to be underpinned by DCs

YTLP's earnings outlook is positive. We forecast net profit growth of 2% for FY25F and 24% for FY26F underpinned by the DCs.

At the same time, YTLP Seraya in Singapore is expected to provide a recurring and stable earnings base underpinned by locked-in profit margins.

YTLP's earnings upside could also come from a turnaround of Wessex Water. Recall that Wessex Water recorded a pre-tax loss of RM95mil in FY23, dragged by higher interest expense.

We believe that YTLP's DCs have an edge over other companies due to the partnership with Nvidia. Against the Singapore DCs, YTLP's land and electricity costs are cheaper.

EDHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	2022	2023	2024F	2025F	2026F
Revenue	17,804.7	21,890.5	22,093.7	21,874.5	28,586.1
EBITDA	2,267.3	4,953.2	6,342.0	6,610.5	7,486.9
Depreciation	(1,245.6)	(1,282.9)	(1,227.4)	(1,259.9)	(1,292.8)
Operating income (EBIT)	1,021.7	3,670.2	5,114.6	5,350.6	6,194.0
Other income & associates	334.6	332.3	335.7	339.0	342.4
Net interest	(986.6)	(1,553.0)	(1,580.3)	(1,750.0)	(1,819.4)
Exceptional items	1,272.3	0.0	0.0	0.0	0.0
Pretax profit	1,642.0	2,449.5	3,870.0	3,939.7	4,717.0
Taxation	(187.3)	(416.9)	(657.9)	(667.4)	(654.4)
Minorities/pref dividends	22.1	(4.6)	(10.0)	(8.0)	(8.0)
Profit from discount ops	0.0	0.0	0.0	0.0	0.0
Net profit	1,476.8	2,028.0	3,202.1	3,264.3	4,054.6
Balance Sheet (RMmil, YE 30 Jun)	2022	2023	2024F	2025F	2026F
Fixed assets	24,556.4	28,505.2	24,689.8	24,660.2	24,600.0
Intangible assets	8,732.3	9,410.7	9,371.1	9,331.6	9,292.0
Other long-term assets	6,026.4	6,159.7	6,243.8	6,458.6	7,528.1
Total non-current assets	39,315.1	44,075.6	40,304.7	40,450.4	41,420.1
Cash & equivalent	6,880.0	8,999.4	10,394.0	11,690.5	14,360.1
Stock	493.1	593.2	332.0	333.0	334.0
Debtors	3,454.9	4,182.2	4,224.0	4,266.2	4,308.9
Other current assets	1,182.0	1,281.0	1,703.0	1,704.0	1,705.0
Total current assets	12,010.0	15,055.7	16,652.9	17,993.8	20,708.0
Creditors	3,500.9	4,328.6	4,237.1	4,195.1	5,482.3
Short-term borrowings	2,477.0	4,001.9	4,001.9	4,001.9	4,001.9
Other current liabilities	226.5	697.0	531.0	532.0	533.0
Total current liabilities	6,204.5	9,027.6	8,770.1	8,729.1	10,017.2
Long-term borrowings	25,259.8	27,482.4	22,940.1	21,742.8	20,546.4
Other long-term liabilities	5,530.0	6,220.9	6,220.9	6,220.9	6,220.9
Total long-term liabilities	30,789.8	33,703.3	29,161.0	27,963.7	26,767.3
Shareholders' funds	14,588.9	16,771.6	19,387.9	22,104.3	25,688.1
Minority interests	-257.5	-370.9	-360.9	-352.9	-344.9
BV/share (RM)	1.80	2.06	2.38	2.71	3.15
Cash Flow (RMmil, YE 30 Jun)	2022	2023	2024F	2025F	2026F
Pretax profit	1,642.0	2,449.5	3,870.0	3,926.0	3,849.5
Depreciation	1,245.6	1,282.9	1,227.4	1,259.9	1,292.8
Net change in working capital	(0.2)	(198.2)	127.9	(85.3)	1,243.5
Others	(1,581.7)	(109.1)	(1,023.3)	(1,039.2)	(1,032.8)
Cash flow from operations	1,305.7	3,425.2	4,201.9	4,061.5	5,353.0
Capital expenditure	(1,759.2)	(2,316.8)	(1,188.5)	(1,190.7)	(1,193.1)
Net investments & sale of fixed assets	0.0	0.0	0.0	0.0	0.0
Others	1,423.4	(180.9)	298.3	303.9	309.9
Cash flow from investing	(335.8)	(2,497.8)	(890.2)	(886.8)	(883.1)
Debt raised/(repaid)	(2,019.7)	6,471.0	(1,331.3)	(1,330.3)	(1,329.3)
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(512.1)	(561.9)	(585.9)	(547.8)	(470.9)
Others	(174.0)	(5,446.0)	0.0	0.0	0.0
Cash flow from financing	(2,705.8)	463.1	(1,917.2)	(1,878.1)	(1,800.2)
Net cash flow	(1,736.0)	1,390.5	1,394.5	1,296.6	2,669.6
Net cash/(debt) b/f	8,566.6	6,784.2	8,727.5	10,122.0	11,418.6
Forex	(45.5)	552.7	0.0	0.0	0.0
Net cash/(debt) c/f	6,785.1	8,727.5	10,122.0	11,418.6	14,088.2
Key Ratios (YE 30 Jun)	2022	2023	2024F	2025F	2026F
Revenue growth (%)	65.1	22.9	0.9	-1.0	30.7
EBITDA growth (%)	-9.5	118.5	28.0	4.2	13.3
Pretax margins (%)	9.2	11.2	17.5	18.0	16.5
Net profit margins (%)	8.3	9.3	14.5	14.9	14.2
Interest cover (x)	2.3	3.2	4.0	3.8	4.1
Effective tax rate (%)	11.4	17.0	17.0	16.9	13.9
Net dividend payout (%)	24.7	23.0	15.8	14.3	9.6
Debtors turnover (days)	71	70	70	71	55

Source: Company, AmlInvestment Bank estimates

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