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Upbeat outlook on YTL Power’s data centre, solar assets in Johor

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PETALING JAYA: RHB Research remains positive about YTL Power International Bhd’s prospects, underpinned by the latter’s development of data centres (DCs) and solar assets in Kulai, Johor.

Back in 2021, YTL Power’s 70%-owned subsidiary Sultan Iskandar Power Station had purchased 664 ha of oil palm estates for RM429mil from Boustead Plantations Bhd with the intention to develop large-scale solar plants.

RHB Research said 275 acres of the land is being carved out to develop a 500MW Green Data Centre Park with a total investment value of RM15bil, with the DC being owned by YTL Data Center Holdings Pte

Ltd, a wholly subsidiary of YTL Power.

For Phase 1 of the project, it said YTL Power is investing RM1.5bil to build a Tier-III certified facility equipped with the ability to accommodate up to 72MW of capacity.

“The three-storey building consists of two wings of Data Hall suites and mechanical and engineering rooms and also eight Data Hall suites spread over two wings per floor, with a total of 24 Data Hall suites,” it said in a report.

The research house added that eCommerce firm Sea Ltd will be the anchor tenant for the 32MW information technology load hyperscale DC.

Construction of the facility is ongoing and the first 8MW is expected to be put on stream by the first quarter of financial year ending June 2024, with the remaining 24MW to come online progressively.

RHB Research said: “YTL Power is looking to secure a new client for the remaining 16MW.

“We are guided that the contract tenure is more than 10 years and the DC in Phase 1 could potentially generate pre-tax profit of RM100mil per annum.”

With this anticipation in mind, the securities firm is expecting more potential DC deals upon the successful delivery of Phase 1 of the project.

It added that although the DC’s electricity is now supplied by Tenaga Nasional Bhd, it believes YTL Power is likely to construct solar assets to help co-power DCs in the future.

RHB Research projects this could attract more DC investors in the longer run, coupled with the implementation of the National Energy Transition Roadmap.

“Any excess solar energy, if any, could be sold to the grid too,” it said.

While yet to impute potential solar development into its valuation of YTL Power, RHB research is maintaining its “buy” call on YTL Power with a higher target price of RM2.43 per share.