

Headline	Valuations for YTL Power unappealing		
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Valuations for YTL Power unappealing

► Recommendation: Hold

FAIR Value: RM1.86

by AmResearch Sdn Bhd
(Nov 22)

Investment Highlights

WE MAINTAIN 'Hold' on YTL Power International Bhd (YTLP), with an unchanged sum-of-parts based fair value of RM1.86/share.

We maintain FY15F-FY16F net profits but have lowered FY14F by 5% due to one-off impairment provisions of RM80m in 1QFY14.

Also, we have removed dividend assumptions from our forecasts as the group did not declare any dividends, the fifth consecutive quarter since 2QFY13.

Note that we had forewarned of such a possibility in our past reports after the group invested in its WiMax operations and was seeking other foreign ventures, such as the oil shale project in Jordan.

YTLP's 1QFY14 net profit of RM235m came in below expectations, accounting for 21% of both our earlier FY14F earnings of RM1,145m and street's RM1,146m.

Sequentially, although YTLP's 1QFY13 revenue rose 3% to RM4b, its net profit declined by 24% due to provisions for RM80m impairments of investment in an associate, receivables and obsolescent inventories as well as foreign exchange (forex) loss of RM71m.

YoY, YTLP's 1QFY14 net profit slid 7% in tandem with a revenue decline of 5% as Power Seraya Ltd sold less

electricity at lower prices against a backdrop of expanded capacity, coupled with impairment provisions and forex losses.

Overseas operations, mainly Power Seraya and Wessex Water Services Ltd, accounted for 97% of the group's 1QFY14 profitable business.

Yes 4G Down by 35%

Meanwhile, the YTLP's Yes

4G services' loss has declined by 35% QoQ and 18% YoY to RM50m. But we remain uncertain if this trend in declining losses is sustainable given the group's commitment to expand its services to 10,000 schools in Malaysia under the 1BestariNet project.

There is a likelihood that breakeven levels may not be achievable even after Yes achieves its targeted subscriber base of 1m. Hence, we maintain our FY14F-FY16F loss assumptions for now.

A local daily had reported that YTLP submitted the lowest bid for the 2,000MW coal-fired power plant under the Energy Commission of Malaysia's Project 3B but the outcome is still uncertain given compliance issues with the group's technical partner.

There is a possibility that competitor 1Malaysia Development Bhd, which plans to list its power assets and submitted the closest bid, may secure the concession for Project 3B. This means that the group's exposure to Malaysian power generation earnings, which accounted for 17% of 1QFY14 profitable operations, may cease by September 2015.

Valuation

The stock currently trades at a pricey FY14F PE of 13x, compared to Tenaga Nasional Bhd's 12x.

These valuations are no longer appealing without a clear dividend policy presently.

► YTL POWER INTERNATIONAL BHD				
YE TO JUNE	FY13	FY14F	FY15F	FY16F
REVENUE (RM mil)	15,815.9	17,067.8	17,679.3	17,368.4
CORE NET PROFIT (RM mil)	1,072.3	1,087.5	1,242.7	1,272.6
EPS (sen)	14.7	14.9	17.0	17.5
PER (x)	13.2	13.0	11.4	11.1