

Flash Note



Refer to important disclosures at the end of this report

AllianceDBS Research, Malaysia Equity

20 Mar 2018

YTL Power (YTLP MK) : HOLD

Mkt. Cap: US\$2,269m | 3m Avg. Daily Val: US\$0.75m

Last Traded Price (19 Mar 2018): RM1.12

Price Target 12-mth: RM1.20 (7% upside) (Prev RM1.20)

Shariah Compliant: No

Analyst

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Expanding into hospitality business

- Proposed acquisition of Marriott The Hague hotel in the Netherlands for EUR60.3m
- Maiden venture into hospitality business
- Maintain Hold and RM1.20 TP

Forecasts and Valuation

FY Jun (RMm)	2017A	2018F	2019F	2020F
Revenue	9,778	10,622	10,823	10,981
EBITDA	2,813	3,034	3,170	3,312
Pre-tax Profit	892	913	992	1,075
Net Profit	694	611	664	720
Net Pft (Pre Ex.)	694	611	664	720
Net Pft Gth (Pre-ex) (%)	(27.6)	(11.9)	8.7	8.4
EPS (sen)	8.56	7.49	8.15	8.83
EPS Pre Ex. (sen)	8.56	7.49	8.15	8.83
EPS Gth Pre Ex (%)	(28)	(13)	9	8
Diluted EPS (sen)	8.40	7.40	8.04	8.72
Net DPS (sen)	5.00	5.00	5.00	5.00
BV Per Share (sen)	164	165	168	172
PE (X)	13.1	14.9	13.8	12.7
PE Pre Ex. (X)	13.1	14.9	13.8	12.7
P/Cash Flow (X)	8.3	6.1	5.7	5.3
EV/EBITDA (X)	9.4	8.7	8.4	8.0
Net Div Yield (%)	4.5	4.5	4.5	4.5
P/Book Value (X)	0.7	0.7	0.7	0.7
Net Debt/Equity (X)	1.3	1.2	1.2	1.2
ROAE (%)	5.4	4.6	4.9	5.2

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

What's New

YTL Power (YTLP) announced that it has entered into an agreement with Bel Air Hotel Holdings S.A.R.L for the acquisition of Bel Air Den Haag Beheer B.V. (Bel Air) for EUR60.3m (~RM290m). Bel Air is the legal and beneficial owner of the 4-star Marriott The Hague, a 306-room hotel located in the Netherlands.

The hotel is strategically located between the city centre and the beach area of Scheveningen. Also, it is within walking distance to two tram lines which make it easily accessible to the various sight-seeing areas. The Gemeentemuseum Den Haag (Municipal Museum), an art museum renowned for its large Mondrian collection is also located next to the hotel.

There is minimal disclosure on the proposed acquisition. However, we estimate that the hotel could contribute EUR7.8m (~RM38m) revenue to YTLP, assuming an average daily room rate of EUR100 and 70% occupancy rate. This translates into less than 1% of our projected FY18 revenue which is negligible to the group. YTLP could easily utilise its RM8bn cash pile to finance the proposed acquisition.

There is no change to our earnings forecast and HOLD recommendation. We maintain our view that it lacks near-term re-rating catalysts given the subdued earnings outlook.



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Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	11 May 17	1.50	1.42	HOLD
2:	12 May 17	1.50	1.42	HOLD
3:	29 May 17	1.47	1.42	HOLD
4:	30 May 17	1.47	1.42	HOLD
5:	30 Aug 17	1.38	1.42	HOLD
6:	23 Nov 17	1.24	1.30	HOLD
7:	26 Feb 18	1.18	1.20	HOLD

Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: QUAH He Wei, CFA

DISCLOSURE

Stock rating definitions

STRONG BUY	-	> 20% total return over the next 3 months, with identifiable share price catalysts within this time frame
BUY	-	> 15% total return over the next 12 months for small caps, >10% for large caps
HOLD	-	-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps
FULLY VALUED	-	negative total return > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

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