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CIMB confident of maintaining ROE

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TNB likely to gain from higher electricity usage

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PETALING JAYA: Analysts are positive on national utility firm Tenaga Nasional Bhd (TNB), as it is expected to benefit from the tariff framework under Regulatory Period 4 as well as anticipated boost in electricity demand.

MBSB Research pointed out that the latest tariff framework provided greater stability and transparency, especially through the dynamic Automatic Fuel Adjustment (AFA) that removes the lag in fuel cost recovery. This element helps in protecting TNB from fuel price swings.

The research house, which has maintained its "buy" recommendation on TNB with an unchanged target price of RM16.40, added that electricity demand is also expected to be strong this year. It said demand is projected to grow to 4.5%.

MBSB Research said the stock is currently trading at 15.1 times financial year 2026 (FY26) price earnings ratio (PER), lower than its five-year mean of 16.5 times while the expected dividend yield also remains attractive at 3.8%.

It shared that TNB posted core earnings of RM840.5mil, which fell 36% year-on-year in the second quarter of FY25, after netting off RM318.4mil of foreign-exchange translation gains, mainly due to the strengthening of the ringgit against the US dollar.

The research house highlighted that taxation also rose 68.2% y-o-y during the quarter due to the cessation of reinvestment allowance.

TNB declared its first interim dividend per share of 25 sen, equivalent to a payout ratio of 78.1% of its core earnings.

Meanwhile, CGS International Research has reiterated its "add" call, with an unchanged TP of RM18. "In our view, the market is overlooking long-term recurring earnings upside from RP4's capital expenditure uplift, while TNB's regulated earnings offer defensive appeal."

The research house is also encouraged that TNB has maintained the interim dividend per share despite the tax overhang.

"That said, even under a worse-case outcome our TP would fall to RM16.77 – still 25% above current levels," CGSI Research said, adding that the share price weakness is an accumulating opportunity;