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## Tenaga Nasional Bhd

HOLD. TARGET PRICE: RM10.00



Source: Maybank Investment Bank

**THE** government again upheld Tenaga's ICPT mechanism for 1H24. Tariffs are mostly maintained, with the only change being the removal of the 2 sen/kWh rebate for household users consuming 600-1,500kWh/month. This signals further progress on targeted subsidies, and alleviation of already dissipating ICPT concerns, in our view.

Households consuming <600kWh/month continue to enjoy a 2.0sen/kWh tariff rebate, while a 10 sen/kWh surcharge remains in place for households consuming >1,500kWh/month. The prevailing 3.7sen/kWh surcharge is maintained for low-voltage commercial, low-voltage industrial and agricultural users, and water/sanitation operators. The surcharge for all other non-domestic users remains at 17 sen/kWh.

While the limelight has largely been on grid capex and RE export, Tenaga has begun rolling out the NETR generation projects. For hybrid hydro floating solar (c.2,500MW potential capacity by 2040), Tenaga has already closed an international EPCC tender in early Dec 2023 for the first 30MW (at Chenderoh reservoir in Perak) and is currently evaluating bids. On the large-scale solar parks (5 x 100MW), Tenaga had announced a MoU with state-owned Majuperak Holdings in Nov 2023 for one such park in Perak.

Our net profit forecasts and MYR10 TP (DCF-based assuming 8.3% WACC and 1% LT growth) are unchanged. TNB's investment thesis revolves around its role in Malaysia's RE transition. Clarity on RE-related grid capex is unlikely to be forthcoming until RP4 (2025-2027) begins, in our view.

Maintain HOLD with an unchanged MYR10 TP. We prefer Mega First (MFCB MK, BUY, CP: MYR3.73, TP: MYR4.30) in the utilities space.