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KUALA LUMPUR (March 4): Tenaga Nasional Bhd guided that the prolonged outage of Manjung 4 power plant may lead to capacity revenue loss of RM400 million this year, prompting analysts to moderate their earnings growth forecasts.

Further, its power generation unit may also experience reduction in the so-called capacity rate financing (CFR) — fixed payment to cover debt service — for some of its other power plants leading to lower revenue, Tenaga told analysts who attended its earnings briefing.

"We fear that near-term earnings will remain affected by the power generation segment facing unscheduled downtime and stepdown in CRF," said Hong Leong Investment Bank. The research house cut its earnings forecasts for Tenaga by 12% for the financial year 2024 (FY2024) and by 8% for FY2025, lowering its target price to RM10.80.

Tenaga's coal-fired 1,010-megawatt Manjung 4 plant has been on unplanned outage since December 2023 due to steam turbine trouble.

For FY2023, Tenaga's net profit fell 20.01% year-on-year to RM2.77 billion or 48 sen per share, from RM3.46 billion or 60.35 sen per share, partly due to the generation business which was affected by negative fuel margin and lower revenue from CRF stepdown.

In FY2023, the power generation segment experienced a fuel margin loss of RM618.7 million, leading to a segment loss of RM526.8 million. In contrast, the segment achieved a fuel margin profit of RM1.1 billion in FY2022, resulting in a profit of RM860.5 million.

TA Securities noted that the Manjung 4 power plant is projected to resume operations by the end of 2024 at the earliest but could potentially be dragged into "early 2025". The research house cut its FY2024 earnings forecast for Tenaga by 9%, which lowered its target price to RM12.40.

The setback at Manjung 4 "would reduce the capacity income and increase the maintenance and repair costs for the plant", TA Securities said.

A majority of analysts nevertheless still recommended investors to buy the stock as the national electric utility will benefit from demand growth on the back of resilient economy.

The company has a near monopoly in electricity distribution in a highly regulated market where the government closely manages a system of tariffs and subsidies to keep a lid on power prices.

Of the 21 analysts covering the stock, 12 recommended "buy", while eight have "hold" calls and one has "sell". The 12-month median target price stood at RM12.17.

Tenaga shares ended the day 10 sen or 0.9% lower at RM11.20, giving the group a market capitalisation of RM64.8 billion.