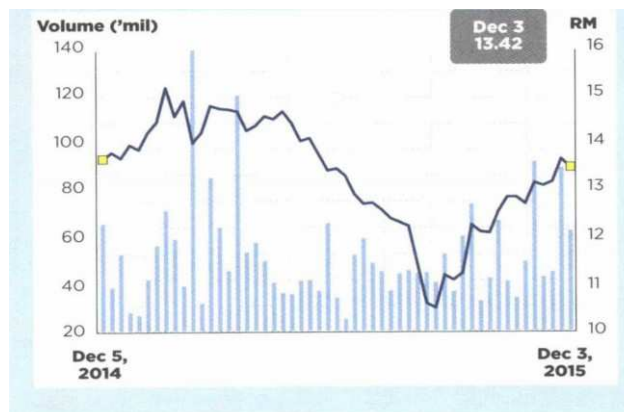


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Tenaga Nasional Bhd

Current Price: **RM13.42** (as of Dec 3)

Target Price: **RM15.50 BUY**

Affin Hwang Capital Research

WE believe the market had turned too negative during the period of uncertainty when there was speculation that Tenaga Nasional Bhd (TNB) would buy Edra Global Energy Bhd. Subsequently, we see that the market has yet to fully reflect the positive news last month that TNB had reportedly put in the lowest bid for Edra's assets and lost out to China General Nuclear Power Corp (CGN). At the current share price, its market cap stands at RM75.6 bil and this still implies RM9 bil in value destruction from its peak in January.

Even without Edra's assets, TNB would see its domestic power generation market share increase due to new hydro and gas power plants on track for commissioning by next year. We estimate TNB's generation market share to increase to 51.2% next year from 48.3%. We upgrade TNB to buy from hold after raising our discounted cash flow-derived (WACC: 8.1%, long term growth: 3%) target price to RM15.50. We have rolled forward our valuation to FY16 and removed the discount on TNB following the sale of Edra to CGN, removing the overhang that TNB may not get good value for Edra's assets.