

Headline	Power sector expected to pick up as economy recovers		
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# Power sector expected to pick up as economy recovers

*This is driven by the improved electricity demand in 2Q21 of 16.1% YoY and 0.7% QoQ*

by ANIS HAZIM

ELECTRICITY output is expected to grow on demand from the industrial and commercial sectors with the gradual reopening of the economy.

RHB Investment Bank Bhd expects electricity demand in the second quarter of 2021 (2Q21) to have improved by 16.1% year-on-year (YoY) and 0.7% quarter-on-quarter (QoQ).

"Industrial and commercial consumption fell 4.9% and 0.5% QoQ, while domestic consumption improved 10.7% QoQ.

"We expect electricity demand to pick up, in tandem with the gradual reopening of the domestic economy in accordance with the 2.9% approved demand forecast under the Regulatory Period 2 (RP2)," RHB Investment analyst Sean Lim wrote in a report yesterday.

The analyst estimated the generation reserve margin to be at 52% in 2021 and is expected to drop below 25% in 2030, before settling at 21% by 2039.

Electricity demand is still likely to register growth at a slower-than-expected pace due to the enhanced movement restrictions.



RHB Investment names TNB as its top pick due to its earnings defence under the IBR mechanism, as well as its recent net-zero emissions pledge

"Energy transition will remain one of the key priorities, as we should see utility players continuing to expand their renewable energy (RE) exposure. The RP3 (2022-2024) details will be known by the second half of 2021 (2H21).

"We believe it will be largely similar to RP2 with a higher asset base and lower weighted average cost of capital," Lim noted.

RHB Investment has maintained an 'Over-

weight' call on the utilities sector with four 'Buys' calls, with Tenaga Nasional Bhd (TNB) its top pick.

"We continue to favour TNB for its earnings defence under the incentive-based regulation (IBR) mechanism. The recent net-zero emissions pledge further demonstrates its commitment to the energy transition journey. We see its ambitious RE targets

possibly fuelling medium to long term growth," Lim added.

The analyst favours Solavest Holdings Bhd as it is likely to continue seeing robust contract wins, which should fuel investor optimism towards the stock.

"Notwithstanding the weaker 1H22 in March due to lockdown measures, we believe results should recover strongly once engineering, procurement, construction, and commission works are allowed to resume and backed by Solarvest's all-time high outstanding orderbook of RM583 million," Lim said.

RHB Investment also has a 'Buy' on Taliworks Corp Bhd for its defensive earnings base, stable growth outlook, and attractive 8% financial year 2021 forecast yield.

"Its 3Q21F should see a healthy boost to earnings, following RM43.5 million cash compensation from the government for the non-increase in 2020's scheduled toll hikes for its Cheras-Kajang highway," he noted.

The analyst has also maintained a 'Buy' call on Ranhill Utilities Bhd although its 2Q21 was below expectation.

"We believe the recent share price dip is an opportunity to accumulate as the stock is trading at -1.7 standard deviation, its new earnings stream should offset Ranhill Powertron's lower tariff and multiple potential rerating catalysts," he stated.