



13 JAN, 2025

## Utilities sector continues to prosper, says HLIB

The Malaysian Reserve, Malaysia



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THE utilities sector is expected to continue to prosper into 2025, with YTL Power International Bhd and Tenaga Nasional Bhd (TNB) as two favourable counters under its watch, according to Hong Leong Investment Bank Bhd (HLIB).

It said the sector would benefit as the regulated asset base (RAB) imbalance cost pass through (ICPT) frameworks remained intact and demand for utilities continued to increase in tandem with the economic growth.

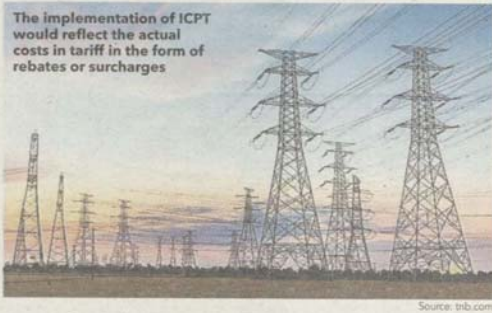
The research house said the sector will also leverage onto the strong data centre (DC) development pipeline, renewable energy (RE) rollout and TNB's capital expenditure, with an approved new capex cycle of up to RM42.8 billion under the fourth

regulatory period (RP4).

ICPT is a mechanism under the Incentive Based Regulation (IBR) framework approved by the government and implemented since Jan 1, 2014, which allows TNB, as the utility, to reflect changes in fuel and other generation-related costs in the electricity tariff. This is because these costs are set based on benchmarked prices in the base tariff, according to the TNB website.

The implementation of ICPT, which occurs every six months, would reflect the actual costs in tariff in the form of rebates or surcharges. Furthermore, the impact of the ICPT implementation is neutral on TNB and will not have any effect on its business operations and financial position.

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Source: tribu.com

In the report, HLIB Research said stabilising commodity fuel prices has improved earnings feasi-

bility for the sector.

It said its top pick was YTL Power International, tagged a 'Buy'.

with a 52-week target price (TP) of RM7) as it believed its valuations remained undemanding compared to its peers and the KLCI, with continued earnings growth via its green-powered DC hub and artificial intelligence (AI) Cloud infrastructure (supported by Nvidia Corp), and favourable metrics for Wessex Water new RP2025-2030.

"We are confident in YTL Power International's ability to rollout its AI-DC within the guided timeline, despite the ongoing geopolitical noises."

On TNB, it also has a 'Buy' with a TP of RM16.2 given its favourable new capex cycle, bolstering its regulated asset base and increasing power generation (including RE). — TMR