



13 JAN, 2025

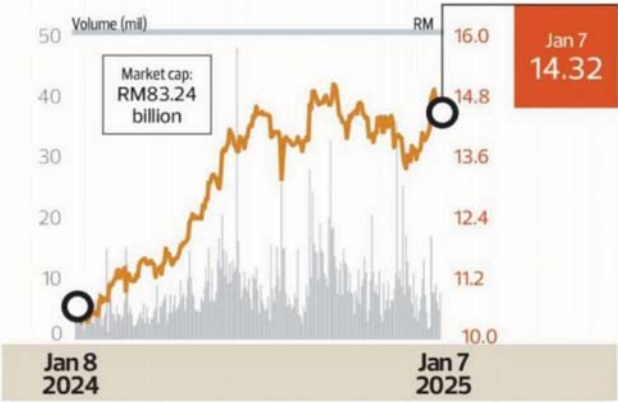
Tenaga Nasional Bhd Target price: RM15.80 BUY

The Edge, Malaysia



Tenaga Nasional Bhd

Target price: **RM15.80 BUY**



CIMB SECURITIES (JAN 7): Tenaga Nasional Bhd (KL:TENAGA) announced that the government approved the implementation of Regulatory Period 4 (RP4) under the incentive-based regulation framework for January 2025 to December 2027. Total allowed capital expenditure (capex) is RM42.8 billion (base: RM26.6 billion, contingent: RM16.3 billion). Total allowed operating expenditure (opex) is RM20.8 billion (16% above RP3), while the regulatory rate of return is 7.3% (same as RP3). The current electricity tariffs will be in effect until June, with Tenaga proposing a 14% base tariff hike to 45.62 sen per kWh from July. This is mainly to factor in higher projected coal cost of US\$97 per tonne (RP3: US\$79 per tonne) and gas prices of RM35 per MMBtu to RM46 per MMBtu (RP3: RM30 per MMBtu to RM33 per MMBtu), bringing these closer to current levels.

We estimate every RM1 billion of capex above RM35.5 billion will add 3.6 sen per share to our DCF-based fair value for Tenaga, and vice versa. Our current FY25 to FY27F core EPS forecasts may also be enhanced by 2% to 7%, based on the maximum allowed capex of RM42.8 billion.

We currently project healthy core EPS growth of 12.1% and 7.4% year on year in FY25F and FY26F respectively. Tenaga trades at a reasonable FY25F EV/Ebitda of 7.8 times and offers decent FY24 to FY26F dividend yields of 2.9% to 3.5%.