



18 JAN, 2023

## Analysts upbeat on TNB's 2023 outlook

Borneo Post (KK), Malaysia



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TNB's balance sheet to improve in 1HFY23 given the stability of global energy prices and higher ICPT cash collections. — Bernama photo

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**KUCHING:** Tenaga Nasional Bhd's (TNB) prospects in 2023 has been viewed positively with its balance sheet expected to improve in the first half of the financial year 2023 (1HFY23) given the stability of global energy prices.

In a report, the research team at Hong Leong Investment Bank Bhd (HLIB Research) said: "The latest approval of ICPT RM16.2 billion for 1HFY23 reaffirms the new government's commitment towards the ICPT mechanism.

"TNB will be able to recover RM10.8 billion through government subsidies and RM5.4 billion through higher tariff surcharge of 3.7 to 20.0 sen/kWh in 1HFY23. Management will continue to provide updates on cash recovery on monthly basis.

"As such, we expect TNB's balance sheet to improve in 1HFY23 given the stability of global energy prices and higher ICPT cash collections. Given the improving cash flow, we do not discount potentially higher dividend payout in 2023."

Meanwhile, it noted that the restructured independent GenCo unit has continued to show improvements in earnings contributions (PAT RM1.1 billion for 9MFY22) while making progress on its ESG initiatives.

"Management guided the potential listing of GenCo in three to five years' time when the unit reports earnings consistency of RM1.5bn annually. The unit has also received LOIs to develop 1,400MW Paka power and 2,100MW Kapar power for

new environmentally friendly technology involving gas power generation with hydrogen for cleaner energy production," HLIB Research said.

"Despite the potentially higher costing, the projects will be protected under PPA structure with a higher IRR investment returns (additional two to three per cent) due to the higher risk and new technology nature. The collaboration with Widad group is strictly based on a commercial basis and diversifying capital justification, while encouraging more players into the power generation industry.

"Eventually, management has targeted to more than double GenCo's revenue and fourfold EBIT contribution by 2050 as the unit expands its domestic new energy generation capacity as well as spreading its presence into regional markets," it added.

Foreign shareholding on the stock has also improved, recently.

The research team said the latest December 2022 number indicates continued improving foreign shareholding to 13.11 per cent, the highest since December 2020.

"Management attributed the improvement to on-going efforts in promoting the group's newly initiated ESG pathway - Tenaga Net Zero 2050 as well as government's commitment towards ICPT mechanism," it said.

All in, HLIB Research maintained its 'buy' recommendation on the stock.