



'Hold' recommendation maintained on TNB

Sentiment	Neutral	Frequency	Daily
Outlet Country	Malaysia	Outlet Language	English
Impressions	135,966	Circulation	67,983
PR Value	40,790	Page	3

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TARGET PRICE OF RM14.50

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KUALA LUMPUR: Despite ongoing market volatility, Tenaga Nasional Bhd (TNB) remains a stable investment, supported by its resilient earnings and attractive valuation, according to Maybank Investment Bank Bhd (Maybank IB).

The bank reaffirmed TNB's position as a key player in Malaysia's power sector.

TNB's medium-term earnings are anchored by a fixed return on a growing, domestic-centric regulated asset base in Malaysia.

At the same time, potential risks stem from contingent capital expenditure (capex) deployment and generation recovery efforts, the bank said.

TNB's earnings are supported by a sizable revenue base, with more than 70 per cent of its total income derived from regulated returns.

"The Regulatory Period 4 (RP4) 2025-2027 base tariff has reflected a three-year base capex of RM26.6

billion, up 29 per cent from Regulatory Period 3 on a 7.3 per cent regulated return.

"Meanwhile, the contingent capex of RM16.3 billion, also on a 7.3 per cent return and likely backloaded, is not included in the base tariff and not in our forecasts with the recovery mechanism still being finalised."

Maybank IB estimates that full deployment of the contingent capex could boost TNB's financial year 2027 net profit by approximately 8.0 per cent.

While TNB's earnings have been affected by fluctuating fuel margins, Maybank IB expects its generation segment to recover as key facilities return to full operation.

"We note that the generation's contribution to TNB's consolidated earnings is not immediately apparent, as reported Genco earnings are distorted by fuel margins.

"TNB's capacity payments (CP) are prone to quarterly fluctuations, given that the blended



Tenaga Nasional Bhd's medium-term earnings are anchored by a fixed return on a growing, domestic-centric regulated asset base in Malaysia. BERNAMA PIC

availability rate of 81.2 per cent in the fourth quarter of financial year 2024 is below the general 85 per cent threshold required for full CP receipts.

"However, we expect generation contribution to recover in the coming years, with Manjung 4 now operational after its extend-

ed outage in the financial year 2024," the firm said.

Maybank IB also observed that coal prices are trending downwards.

"The decline, along with the rebasing of reference coal prices in RP4, should imply lower imbalance cost pass-through sur-

charges. This should help alleviate public pressure on net bill changes when the revised tariff schedule takes effect in the second half of the year 2025."

It has maintained a "hold" recommendation on TNB, with an unchanged discounted cash flow-based target price of RM14.50.