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# TNB relatively sheltered from demand risks — Maybank IB Research

**KUALA LUMPUR:** Maybank Investment Bank Research (Maybank IB) believes Tenaga Nasional Bhd (TNB) is relatively sheltered from demand risks during this current full lockdown compared to the first movement control order (MCO 1.0) last year.

In a note yesterday, it said Peninsular Malaysia generation contracted by 8.5 per cent since the latest round of full lockdown was imposed on June 1, 2021 versus a 24 per cent decline in last year's full MCO (FMCO).

Overall, it estimates every month of FMCO would lower

financial year 2021 (FY2021) demand by 0.7 per cent, adding that with the FMCO has so far been in place for a month, Peninsular Malaysia demand is still on course to grow in 2021.

"Tenaga is largely sheltered from demand fluctuations, with only the 'Customer Services' segment (RM1.7 billion of annual revenue) being subjected to demand risk.

"The remaining RM13.8 billion of annual regulated revenue is fixed with any shortfall claimable from the Industry Fund. Meanwhile, the

previous FMCO issues such as higher bad debts and Sabah Electricity losses do not appear to be as severe this round, in our view," it noted.

Maybank IB said its earnings forecast and RM12.00 target price for TNB were unchanged.

"We continue to expect an earnings uplift in 2021 (Regulatory Period 2 (RP2) extension year) due to improved regulatory terms.

"Similarly, we do not expect TNB to be worse-off in RP3 (2022-2024). We like Tenaga for its relative earnings stability," it said. — Bernama