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‘Buy’ call maintained on TNB

New Straits Times, Malaysia

RM16.50 TARGET PRICE

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KUALA LUMPUR: Tenaga Nasional Bhd’s (TNB) additional RM120 million to RM150 million fuel cost absorption for households is expected to have only a minimal impact on its earnings, according to RHB Research.

Fuel price conditions could ease the pressure on Tenaga Nasional Bhd, notes an analyst. NSTP FILE PIC

Analyst Max Koh said the allocation, estimated for the September to December period, would account for about two per cent to three per cent of RHB Research’s financial year 2026 earnings forecast for the utility company.

He said the allocation would support the extension of electricity bill exemptions to domestic users consuming between 600 and 800 kilowatt-hours (kWh) a month.

Previously, the exemption was available to households consuming less than 600kWh a month.

Koh said TNB’s share price had declined 12 per cent from its recent high, presenting an opportunity to accumulate the stock on price weakness.

He expects the company’s earnings to improve in the second half of financial year 2026, with a lower effective tax rate (ETR) expected to provide support.

He forecasts the ETR to fall to 18 per cent in the fourth quarter, which would more than offset the additional electricity subsidy allocation.

While the possibility of the subsidy allocation being extended into financial year 2027 cannot be ruled out, Koh noted that fuel price conditions could ease the pressure on TNB.

He left his financial year 2026 and financial year 2027 earnings-per-share forecasts unchanged and maintained a “buy” call on TNB with a target price of RM16.50, alongside an estimated financial year 2026 dividend yield of about four per cent.

The target price is based on 19 times financial year 2026 price-to-earnings ratio, incorporating a four per cent environmental, social and governance discount.