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TNB shares rise on 11 pct CAGR forecast for regulated asset base under RP4

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The recent power outage highlighted the growing stress on Malaysia's grid amid surging demand and a decade-long absence of new capacity awards. — Bernama photo

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KUALA LUMPUR: Tenaga Nasional Bhd's (TNB) share price climbed in early trade on Friday amid expectations that its regulated asset base will expand at an 11 per cent compound annual growth rate (CAGR) during the 2025-2027 regulatory period (RP4).

In a research note, CGS International Securities Malaysia Sdn Bhd said the CAGR was driven by the RM43 billion allowed capital expenditure (capex), nearly twice the average spent over the past three RPs.

"If fully deployed, these investments can add around RM1.1 billion in recurring earnings annually, which is about 25 per cent of the group's 2024 normalised profit after tax base," it said.

CGS International stated that the recent power outage highlighted the growing stress on Malaysia's grid amid surging demand and a decade-long absence of new capacity awards.

"We believe this reinforces the case for TNB's full RP4 rollout not only to enhance system reliability but also to prepare for accelerating renewable energy integration requirements," it added.

Meanwhile, the brokerage noted that TNB's share price has fallen 12 per cent over the past four months, largely due to concerns over ongoing tax disputes totalling RM10 billion.

Since the July 2 court ruling, the stock has lost RM10.4 billion in market value, suggesting investors may have already priced in a full, non-recoverable RM10 billion tax liability, the worst-case outcome, in CGS International's view.

"Under such a scenario, our target price would reduce to RM16.77 from RM18 (factoring in outstanding cash outflows from the tax disputes), which still offers 28 per cent upside.

"This underscores the share's inherent value, in our view, with the market underappreciating the earnings upside potential from RP4's capex uplift," it said. — Bernama