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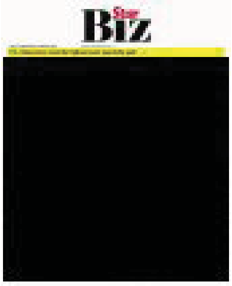

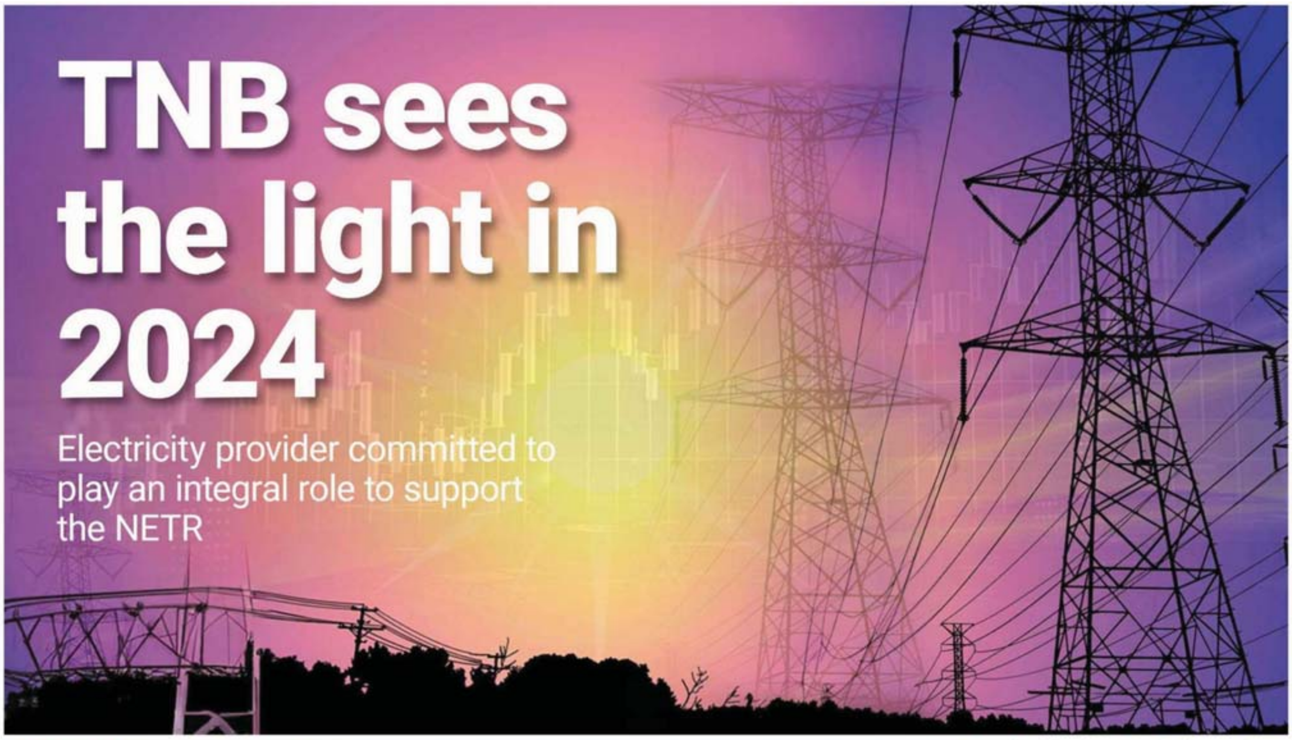

ENERGY

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PETALING JAYA: Tenaga Nasional Bhd (TNB) is expecting a reasonable performance in 2024, as it sought to calm shareholders after it reported its poorest bottomline in six years.

The electricity provider's net profit tumbled by 20% in the financial year ended Dec 31, 2023 (FY23) due to negative fuel margins and impairment on intangible assets.

Going forward, TNB said it continues to be cautious of the "challenges ahead" and reiterated that it will take prudent measures in terms of its operational and financial requirements to ensure it remains resilient.

Additionally, TNB said it is committed to play an integral role to support the National Energy Transition Roadmap (NETR).

A key enabler and beneficiary of the country's transition to green energy, TNB is in final discussions for Regulatory Period 4 (RP4) with the regulator and RP4's regulated asset is expected to be higher than that of RP3, which bodes well for TNB's 2025 to 2027 profits.

For FY23, the group's revenue increased by 4.3% to RM53.1bil due to higher sales of electricity with demand growth of 3.9%.

However, TNB's net profit dropped to RM2.8bil or earnings per share of 48 sen.

TNB said the imbalance cost pass-through for FY23 was in a lower under-recovery position of RM10.6bil as compared to RM22.3bil in the last corresponding year.

> "We believe that the higher capex will be positive for TNB, as it will be able to partly offset the potentially lower returns under the incentive based regulation structure should the government reduce return on assets."
>
> Tenaga Nasional Bhd

The last time TNB's net profit saw such a decline was in FY20 when it fell from RM4.5bil in FY19 to RM3.6bil.

This was due to lower revenue recorded, lower finance income resulting from lower interest rates and higher finance cost attributed to the expense of finance cost of the newly commissioned plant, Tuanku Muhriz Power Station.

The counter, however, closed at a year-to-date high of RM11.42 yesterday, marking its three-year high since Sept 11, 2020.

In its latest fourth quarter, the national utility's net profit dropped by 28% year-on-year (y-o-y) to RM583.9mil or 10.12 sen per share due to unfavourable foreign exchange translation.

On the other hand, TNB registered a 5.7% year-on-year (y-o-y) increase in revenue to RM13.65bil on the back of higher sales of electricity by 5.3% or RM672.6mil.

In a filing with Bursa Malaysia, TNB said that it reported a fair performance mainly underpinned by electricity demand growth of 3.8%.

Although the company's regulated business continued to see a stable performance, earnings from the non-regulated segment were impacted by negative fuel margin.

"The stabilising coal prices globally, coupled with stronger collection rate has improved the receivables and working capital position," the company said.

UOB Kay Hian said in a recent report that TNB plans to invest an extra RM35bil between 2025 to 2030 towards upgrading Malaysia's power grid to ensure the infrastructure does not become an obstacle in the nation's energy transition endeavours.

The RM35bil, to be spread over RP4 and RP5, suggests a doubling in regulated capital expenditure (capex) in RP4 and RP5.

"That said, we expect RP4's capex to be 20% to 30% higher with the inclusion of green infrastructure.

"We believe that the higher capex will be positive for TNB, as it will be able to partly offset the potentially lower returns under the incentive based regulation structure should the government reduce return on assets," the research house said.

Since the start of the year, TNB has been making several developments in its energy transition initiatives.

Last week, following the success of its pilot project at Stesen Janakuasa Sultan Azlan Shah in Manjung, Perak, the group said it is embarking on hybrid hydro-floating solar (HHFS) photovoltaic (PV) projects under the NETR at its hydro dam reservoirs.

The group has plans to build 2,500 megawatts of HHFS PV projects through TNB Power Generation Sdn Bhd.

Moreover, the utility giant also announced that it targets to electrify 30% of its operational fleet, amounting to more than 1,000 vehicles, by 2030.

TNB is accelerating its transition to electric vehicles (EV) with the deployment of 98 new units, bringing the total number of EVs in the TNB fleet to 127.

Cost savings from its EV adoption initiative is anticipated to range between 35% to 86% on repair and maintenance; and 25% to 70% lower energy costs compared to conventional fossil fuel vehicles.

TNB is also expecting to see an annual offset of 6% to 12% in fossil fuel expenditure.

TNB declared a final single tier dividend of 28 sen per ordinary share, in respect of the financial year ended Dec 31, 2023, totalling to about RM1.6bil.

The final single-tier dividend for FY22 was paid on April 14, 2023, totalling RM1.5bil. An interim dividend for FY23 was paid on Oct 17, 2023, totalling RM1.04bil.