

Headline	Pemulih`s bill discount could reduce TNB`s collection risk		
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Pemulih's bill discount could reduce TNB's collection risk

This comes as govt essentially takes over as paymaster for financially constrained consumers, albeit limited to the discounted bill portion

by AZALEA AZUAR

THE electricity bill discount provided under the People's Protection and Economic Recovery Package (Pemulih) could potentially reduce Tenaga Nasional Bhd's (TNB) collection risk.

MIDF Amanah Investment Bank Bhd analyst Hafriz Hezry said the total cost of the initiative is estimated at RM1 billion and is expected to be borne by the government.

"The discount could potentially reduce collection risk for TNB as the government essentially takes over as paymaster for financially constrained consumers, albeit limited to the discounted bill portion," Hafriz said in a research report yesterday.

MIDF maintained its 'Buy' recommendation on TNB with an unchanged discounted cashflow-based target price (TP) of RM11.80. TNB last traded at RM9.84 at close yesterday.

The valuation has factored in a



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Pic by Nurwani Shapagudin

10% discount to reflect environmental, social and governance overhang on the stock.

Hafriz wrote at just 4.7 times its financial year 2021 forecast enterprise value to Ebitda ratio, TNB is already trading at a deep discount to sector average of 9.4 times, while foreign shareholding has deteriorated to 12% from a peak of 28%.

The analyst said any move to unlock the value of investments,

particularly in the renewable energy assets (estimated to account for 25% of capacity), could serve as a positive catalyst.

Meanwhile, he said the second regulatory period (RP2)-extension — which maintains a 7.3% weighted average cost of capital, 16% higher allowable capital expenditure and 112% higher allowance for doubtful debt provision — affirms TNB's regulated earnings visibility in the

short run, underpinning a decent 4% dividend yield.

Under Pemulih, domestic consumers will enjoy between 5% and 40% discount on electricity bills beginning in July until September 2021. Low voltage non-domestic consumers will enjoy a 5% discount.

Non-domestic consumers in six targeted sectors under the previous Strategic Programme to Empower

the People and Economy Plus stimulus package — hotel operators, theme parks, convention centres, shopping malls and travel and tourism companies — will continue to enjoy a 10% discount till December 2021.

Hafriz noted that the government has maintained the two sen per kilowatt per hour ICPT (imbalance cost pass-through) rebate for the second half of 2021 (2H21) for all consumers.

"The rebate position is a result of a reduction in actual generation cost for 1H21 (ICPT is determined on a six-month retrospective basis)," he said.

He added that the reference market price for gas of RM17.16 per one million British Thermal Unit (MMBtu) is 36.9% lower than the RP2-extension's benchmark gas price of RM27.20/MMBtu despite the 3.9% increase in coal price for the period to US\$70.06 (RM290.85) per metric tonne (MT) which is higher than the RP2-extension benchmark coal price of US\$67.45/MT.

Hafriz believes the rebate is funded by the net fuel cost savings mechanism, which in turn is funnelled through the Kumpulan Wang Industri Elektrik in which its earnings are neutral to TNB.