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Analysts upbeat on TNB outlook

KUALA LUMPUR: Analysts are confident that Tenaga Nasional Bhd's (TNB) earnings for the next three quarters will be driven by the electricity tariff hike.

CIMB Research, which maintained its "add" call on the stock, said TNB's first-quarter net profit of RM1.05 billion was in line with its full-year forecast of 23 per cent and consensus' 21 per cent.

The research house has set a new target price of RM14.14 for the stock.

AmResearch, meanwhile, maintained its "buy" call on TNB with an unchanged fair value of RM14.90.

It commented that the earnings posted in the first quarter were impressive, as it had not factored in the significant impact of a 3.2 per cent net tariff increase effective January 1.

The tariff hike could generate incremental earnings of RM550 million over the next nine months, it said.

"But we caution against excessive optimism as the second-quarter earnings may be lower sequentially, given a one-month timing mismatch between the hike in gas costs this

month and revenue recognition from the electricity tariff increase in February."

However, it is convinced that TNB's earnings revision cycle from the tariff hike, commencing this month, will continue to propel its re-rating focus forward.

MIDF Research is maintaining its "neutral" call on the stock with a revised discounted cash flow-derived target price of RM12.40, in

anticipation of stronger sequential quarters to come, resulting from the positive impacts of the incentive-based regulation.

Public Investment said in its research note it expects TNB to post higher revenues for the next three quarters as adjusted tariffs come into effect this month.

RHB Research maintains a "buy" on TNB and upgrades the future value of the stock to RM13.24 from RM11.90 previously.

TNB ended yesterday's trade two sen lower to RM11.48 with a total of 8.05 million shares exchanging hands. The counter hit a high of RM11.60 in mid day trading.

On Thursday, TNB announced a net profit of RM1.73 billion for its first quarter ended November 30 2013 due to lower taxes.