



PRESS RELEASE

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TNB STAYS RESILIENT THROUGHOUT CHALLENGING FY2020

- Group PAT of RM3.6 billion, on the back of RM44.0 billion in revenue
- Regulatory Period (RP) 2 Extended on Favourable Terms
- Remains top-ranking Public-listed company for dividend yield

Tenaga Nasional Berhad (TNB) closed the challenging 2020 Financial Year on a resilient note, with group profit after tax (PAT) of RM3.6 billion, compared to RM4.45 billion in the previous year. The lower profit was due to impact from the Malaysian Financial Reporting Standards (MFRS) 16 of RM613.4 million, lower finance income, as well as TNB's discount of RM250 million offered to customers as part of the PRIHATIN economic stimulus package.

Tenaga Nasional Berhad President and Chief Executive Officer, Datuk Seri Amir Hamzah Azizan said the lower PAT reflects the severe impact of the Covid-19 pandemic and the subsequent phases of the Movement Control Order that stifled economic activity.

"However, the TNB Group has exhibited resilience despite these challenges, thanks to a cohesive and disciplined response to the pandemic by TNB's 35,000 strong workforce, anchored on our commitment to deliver on our Reimagining TNB (RT) strategic aspiration."

Group revenue fell 13.7 % year-on-year to RM44 billion from RM50.9 billion mainly due to lower sales of electricity and ICPT adjustment. This ICPT adjustment of RM3 billion was due to lower fuel prices as compared to RM1.9 billion surcharge position in FY2019.

Sales of electricity at Group level declined by 5.1 % Y-o-Y at 117,003.6 GWh from the 123,252.0 GWh in FY'19, mainly due to lower demand in the Industrial and Commercial sectors as a result of the economic slowdown.

EBITDA margin however was sustained at 40.9 % in FY2020, resulting from a 20.6 % drop in operating expenses in the financial year 2020 as the Group adapted to curtailed operations due to the restriction of movement during the COVID-19 pandemic.

Continued Recovery

As Industrial and Commercial sectors were allowed to operate during the conditional and recovery Movement Control Order (C/RMCO), contraction in electricity demand continued to narrow in the last three months of 2020. The contraction narrowed to only -1.1 % for the quarter compared with -12.9% during the lock down period in the second quarter.

“In terms of collection, we continued to observe further improvement in the final quarter 2020 with better collection efficiency rate of 97% in December compared with 87% in April 2020. This is a good sign of gradual recovery as economic activities restart,” said Amir.

Going forward, Amir disclosed that for the full year 2021, given that most of the Industrial and Commercial sectors are permitted to run during MCO 2.0, “we expect the impact of the lockdown to electricity demand to be less severe than in FY2020. Under the Regulatory Period 2 (RP2) extension, TNB’s electricity demand is forecasted to grow 2.9 % to 113,909 GWh.

“Nevertheless, earnings of our regulated revenue cap entities are guaranteed at demand growth as stipulated by the Incentive-Based Regulation (IBR) guidelines.”

Significant Progress in Operations

Despite the challenging environment due to the Covid-19 pandemic, significant progress was made in TNB’s regulated business of grid and distribution network given the Group’s continuous efforts to enhance the grid in line with the Incentive-Based Regulation (IBR)-approved investment plan.

Amir disclosed that the modernisation of the grid over the years had enabled a faster response through remote operations, contributing to a further lowering of TNB’s System Average Interruption Duration Index (SAIDI).

“Our SAIDI dropped from 48.13 minutes per customer per year in 2019 to 45 minutes last year to be persistently at par with most developed countries. Our System Minutes meanwhile, were brought down markedly from 0.27 minutes to 0.08 minutes, the 12th consecutive years it was kept below the two-minute mark.”

Extension of RP2 Approved with Favourable Terms

In December 2020, TNB received an approval from the Energy Commission (EC) to extend the RP2 by a year, until 31 December 2021. The extension indicates the effectiveness of the IBR mechanism to maintain stability in the power industry. The IBR is a mechanism for electricity tariff setting with incentives to improve TNB’s efficiency and provide greater transparency to customers.

“Under the RP2 extension, the base tariff remained at 39.45 sen/kwh and the weighted average cost of capital (WACC) at 7.3%, ensuring stable returns for TNB’s regulated business entities. Capital and operating expenditure were allowed higher at RM7.3 billion and RM6.3 billion respectively as against

RM6.6 billion and RM6.1 billion average per annum under RP2. Higher provision of Doubtful Debt was also approved at RM200 million for FY 2021 compared with RM94.3 million in FY2020,” said Amir.

He also announced that TNB submitted its RP3 proposal to the EC today, 26th February 2021. RP3 will start from 1st January 2022 to 31st December 2024.

Value Creation from Reimagining TNB

The establishment of TNB Power Generation Sdn Bhd (TPGSB), as part of an internal reorganisation plan under Reimagining TNB (RT), has brought tangible outcomes to the Group. The setting up of TPGSB as a wholly-owned subsidiary of TNB has led to improvement in the Equivalent Plant Availability Factor to 87.4% from 83.4% pre TPGSB. In addition, there was 20% EBIT growth from improved plants availability while productivity (RM/staff) was enhanced by 25%.

With its incorporation on 1st October 2020, TPGSB will focus on operational excellence, plant turnaround as well as assets and services expansion.

Driving Malaysia’s Energy Transition

As the primary driver of the nation’s energy transition, TNB continues to emphasise its focus on sustainable energy with ambitious Renewable Energy (RE) targets, aiming to achieve 8,300 MW of RE capacity both domestically and internationally by 2025. TNB’s RE capacity currently stands at 3,398MW (including large hydros). This comprises 2,732MW from domestic assets and 666MW from international assets, comprising around 400MW in the U.K. and the rest in Turkey (wind and hydro) and India (solar).

On the company’s sustainability position, TNB aspires to ensure that revenue from coal generation plants is capped at 25%, and maintains its commitment to no longer invest in greenfield coal plants, with the Jimah East Power plant which was commissioned in 2019 slated to be TNB’s last new coal plant.

Top Performing Dividend Yield Company

TNB’s Board of Directors approved a final single tier dividend of 18 sen per share for the quarter, raising the single tier dividend total to 40 sen per share for the Financial Year 2020. This translates to a dividend payout ratio of 58.5% from the Group’s Adjusted PATAMI, effectively hitting the higher tier of the company’s 30% to 60% dividend policy consistently for the last four financial years.

In addition, the Board of Directors also approved a special dividend of 40 sen per share, bringing the total dividend per share to 80 sen, amounting to RM4.6 billion for this financial year.

“The Board’s approval of the additional special dividend of 40 sen per share reflects TNB’s commitment to reward loyal shareholders who continue to trust the management’s capabilities in bringing value to their investment, even during challenging times,” said Amir.

The total dividend per share of 80 sen brings TNB's dividend yield to 7.7% for 2020 (share price at RM10.42 as at 31 December 2020), firmly maintaining a leading position among the top 30 KLCI companies for highest dividend yield for two consecutive years.

Prospect

The Malaysian economy registered a negative growth of 3.4% in the fourth quarter (3Q 2020: -2.6%), largely attributable to the Conditional Movement Control Order (CMCO) imposed on a number of states since mid-October. For 2020 as a whole, the economy contracted by 5.6%.

While near-term growth in 2021 will be affected by the stricter containment measures, the impact, however, will be less severe than that experienced in 2020. The growth is projected to improve from the second quarter onwards driven by the recovery in global demand and policy measures including PENJANA, KITA PRIHATIN, 2021 Budget and PERMAI.

The Board of Directors foresees the pace of recovery that the Group has registered in 2HFY2020 will continue into 2021, although with some challenges following the re-imposition of the Movement Control Order (MCO). However, the impact will be cushioned as most economic activities remain operational. The Group has taken prudent measures in terms of its operational and financial requirements to ensure it remains resilient.

Financial Highlights

RM' Million	12 Months Ended 31 st Dec' 2020	12 Months Ended 31 st Dec' 2019
Total Revenue	43,976.0	50,939.7
Operating Expenses	(37,132.4)	(43,561.5)
Other Operating Income	1,061.4	1,131.0
Operating Surplus (EBIT)	<u>7,358.8</u>	<u>8,206.8</u>
Finance Cost	(3,668.7)	(3,382.7)
Forex Translation Gain / (Loss)	71.6	200.6
Profit (before Forex Translation Gain / (Loss))	3,521.1	4,328.6
Profit Attributable to Owners of the Company	3,592.7	4,529.2
Profit for the Period	3,616.4	4,445.0
Earnings per share	63.06 sen	79.64 sen

About Tenaga Nasional Berhad

TNB's core activities are in the generation, transmission, and distribution of electricity. In addition to being the nation's primary electricity generation enterprise, TNB also transmits and distributes all the electricity in Peninsular Malaysia, Sabah and Federal Territory of Labuan. As at 31 December 2020, TNB supplies electricity to approximately 10.0 million customers.

TNB, through its subsidiaries, is also involved in the manufacturing of transformers, high voltage switchgears and cables; the provider of professional consultancy services, construction and operating and maintenance of district cooling facilities, generation equipment, repair and maintenance, fuel supply services; services related to renewable energy, energy efficiency and power quality; higher education and skill training and undertakes research and development.

As an integrated electricity provider, TNB has and will continue to meet its crucial role in powering the nation's progress. For further information, please visit www.tnb.com.my.

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