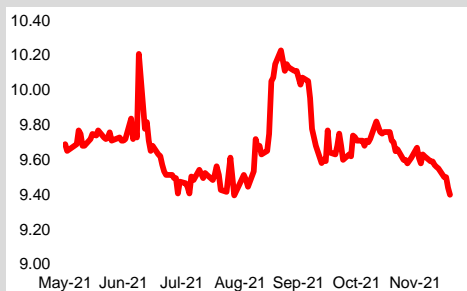


DESCRIPTION

Major utility provider in Malaysia involved in the generation, transmission, distribution and sale of electricity.

12-Month Target Price RM12.42
Current Price RM9.38
Expected Return +32%

Market Main
Sector Utilities
Bursa Code 5347
Bloomberg Ticker TNB MK
Shariah-compliant Yes

SHARE PRICE CHART


52 Week Range (RM) 9.29 – 10.71
3-Month Average Vol ('000) 4,188.3

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-3.3	-3.2	-2.9
Relative Returns	0.5	-5.5	-2.1

KEY STOCK DATA

Market Capitalisation (RM m) 58,978.7
No. of Shares (m) 5,726.1

MAJOR SHAREHOLDERS

	%
Khazanah Nasional	25.6
EPF	17.7
Skim Amanah Saham Bumiputera	15.1

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No Surprises

Tenaga Nasional (TNB) registered 3QFY21 headline net profit of RM1,048.7m (+4.7% YoY, +23.4% YoY) which was within our and consensus estimates. YTD Group core net profit of RM3,384.5m (+18.6% YoY) constituted c.73% and c.72% of our and consensus full year estimates. Electricity revenue grew by 1.1% YoY while subsidiaries' performance improved as more businesses were allowed to operate during this current Movement Control Order. Correspondingly, EBIDTA margin improved to 40.9% (as compared to 39.0% in 9MFY20). Gearing is still healthy at 46.3%. No change to our earnings estimates and **Outperform** call, with DCF-derived TP also unchanged at RM12.42.

§ **9MFY21 revenue rose 9.6%** mainly due to higher sales of electricity (+9.5% YoY) which included the Imbalanced Cost Pass-Through ('ICPT') which was in an under-recovery position of RM1,300.8m as compared to an over-recovery position of RM1,479.2m a year ago. This was mainly due to higher generation cost. During the quarter, higher share of result of associates was contributed mainly by Jimah Energy Venture and full impairment of GMR in 1QFY'21. Meanwhile, higher finance cost was mainly due to the commissioning of Southern Power Generation (SPG) in February 2021

§ **Generation cost in 3QFY21 rose by 21% QoQ** mainly due to rising coal prices. QoQ, coal prices (c.72% of TNB's fuel cost) rose 33.5% while gas prices (c.28% of fuel cost) were still steady, only increasing marginally by 2.5% QoQ. As such, operating expenses increased from RM9,555.2m in 3QFY20 to RM10,821.6m in the current quarter mainly due to higher generation cost. As for capital expenditure (capex), the Group has spent RM5,326m YTD, out of the RM9.5bn allocated for FY21, of which RM7.3bn is earmarked for regulated recurring capex and the remaining RM2.2bn for others.

KEY FORECAST TABLE

FYE Dec (RM m)	2019A	2020A	2021F	2022F	2023F	CAGR
Revenue	50,939.7	43,976.0	48,850.1	49,583.6	50,330.2	-0.3%
Operating Profit	8,206.8	7,358.8	9,084.5	9,115.8	9,356.0	3.3%
Pre-tax Profit	5,477.7	4,235.4	5,884.5	5,946.5	6,491.0	4.3%
Reported NP	4,529.2	3,592.7	4,633.2	4,151.0	4,531.1	0.0%
Core Net Profit	4,637.3	3,985.7	4,633.2	4,151.0	4,531.1	-0.6%
EPS (Sen)	79.6	63.1	81.5	73.0	79.7	0.0%
P/E (x)	11.8	14.9	11.5	12.9	11.8	
DPS (Sen)	100.0	80.0	40.7	36.5	39.8	
Div Yield (%)	10.7	8.5	4.3	3.9	4.2	

Source: Company, PublicInvest Research estimates, *Forecast excludes forex gains/loss

Table 1 : Results Summary

FYE Dec (RM m)	2Q FY21	2Q FY20	1Q FY21	YoY chg (%)	QoQ chg (%)	YTD FY21	YTD FY20	YoY chg (%)
Revenue	12,441.0	10,890.8	11,478.0	14.2	8.4	23,919.0	22,545.3	6.1
Operating expenses	-10,057.8	-9,138.6	-9,146.5	10.1	10.0	-19,204.3	-18,683.2	2.8
Net loss on impairment of financial instruments	-487.2	-60.0	-180.4	712.0	170.1	-667.6	-161.6	313.1
Other operating income	227.3	130.0	176.7	74.8	28.6	404.0	345.5	16.9
Operating profit	2,123.3	1,822.2	2,327.8	16.5	-8.8	4,451.1	4,046.0	10.0
Forex gain / (loss)	-33.5	59.4	-98.5	-156.4	-66.0	-132.0	-343.4	-61.6
Share of results of JVs & associates	48.4	15.3	22.6	216.3	114.2	71.0	31.0	129.0
EBIT	2,138.2	1,896.9	2,251.9	12.7	-5.0	4,390.1	3,733.6	17.6
Finance income	64.0	89.4	48.0	-28.4	33.3	112.0	193.1	-42.0
Finance cost	-978.6	-918.5	-931.9	6.5	5.0	-1,910.5	-1,816.5	5.2
FV of financial instruments	-21.5	-23.1	109.3	-6.9	-119.7	87.8	-49.1	-278.8
Pre-tax profit	1,202.1	1,044.7	891.6	15.1	34.8	2,679.4	2,061.1	30.0
Taxation & zakat	-352.1	-368.7	-503.8	-4.5	-30.1	-855.9	-648.4	32.0
Net profit	850.0	676.0	958.7	25.7	-11.3	1,808.7	1,393.9	29.8
Core net profit	883.5	780.5	1,394.0	13.2	-36.6	2,277.5	2,000.3	13.9
Operating Profit Margin	17.1%	16.7%	20.3%			18.6%	17.9%	
PBT Margin	9.7%	9.6%	7.8%			11.2%	9.1%	
Net Profit Margin	6.8%	6.2%	8.4%			7.6%	6.2%	
Effective Tax Rate	-29.3%	-35.3%	-56.5%			-31.9%	-31.5%	
FYE Dec (RM m)	3Q FY21	3Q FY20	2Q FY21	YoY Chg (%)	QoQ chg (%)	YTD FY21	YTD FY20	YoY chg (%)
Revenue	12,975.4	11,106.4	12,441.0	16.8	4.3	36,894.4	33,651.7	9.6
Operating expenses	-10,821.6	-9,555.2	-10,057.8	13.3	7.6	-30,025.9	-28,238.4	6.3
Net loss on impairment of financial instruments	-239.3	-180.1	-487.2	32.9	-50.9	-906.9	-341.7	165.4
Other operating income	144.4	486.7	227.3	-70.3	-36.5	548.4	832.2	-34.1
Operating profit	2,058.9	1,857.8	2,123.3	10.8	-3.0	6,510.0	5,903.8	10.3
Forex gain / (loss)	-58.3	149.6	-33.5	-139.0	74.0	-190.3	-193.8	-1.8
Share of results of JVs & associates	50.0	6.8	48.4	635.3	3.3	121.0	37.8	220.1
EBIT	2,050.6	2,014.2	2,138.2	1.8	-4.1	6,440.7	5,747.8	12.1
Finance income	47.7	76.4	64.0	-37.6	-25.5	159.7	269.5	-40.7
Finance cost	-921.1	-917.0	-978.6	0.4	-5.9	-2,831.6	-2,733.5	3.6
FV of financial instruments	59.7	109.1	-21.5	-45.3	-377.7	147.5	60.0	145.8
Pre-tax profit	1,236.9	1,282.7	1,202.1	-3.6	2.9	3,916.3	3,343.8	17.1
Taxation & zakat	-188.2	-280.8	-352.1	-33.0	-46.5	-1,044.1	-929.2	12.4
Net profit	1,048.7	1,001.9	850.0	4.7	23.4	2,857.4	2,395.8	19.3
Core net profit	1,107.0	852.3	883.5	29.9	25.3	3,384.5	2,852.6	18.6
Operating Profit Margin	15.9%	16.7%	17.1%			17.6%	17.5%	
PBT Margin	9.5%	11.5%	9.7%			10.6%	9.9%	
Net Profit Margin	8.1%	9.0%	6.8%			7.7%	7.1%	

Source: Company

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RM m)	2019A	2020A	2021F	2022F	2023F
Revenue	50,939.7	43,976.0	48,850.1	49,583.6	50,330.2
Cost of sales	-42,732.9	-36,617.2	-39,765.6	-40,467.7	-40,974.2
Operating Profit	8,206.8	7,358.8	9,084.5	9,115.8	9,356.0
Other Gains / (Losses)	-1,073.6	227.6	-1,330.1	-1,352.2	-1,094.9
Finance Costs	-1,655.5	-3,351.0	-1,869.9	-1,817.2	-1,770.1
Pre-tax Profit	5,477.7	4,235.4	5,884.5	5,946.5	6,491.0
Income Tax	-1,032.7	-619.0	-1,235.8	-1,783.9	-1,947.3
Effective Tax Rate (%)	18.9	14.6	21.0	30.0	30.0
Minorities	84.2	-23.7	-15.6	-11.5	-12.6
Net Profit	4,529.2	3,592.7	4,633.2	4,151.0	4,531.1
Core Net Profit	4,637.3	3,985.7	4,633.2	4,151.0	4,531.1
Growth					
Revenue (%)	1.1	-13.7	11.1	1.5	1.5
Operating Profit (%)	19.4	-10.3	23.5	0.3	2.6
Net Profit (%)	21.6	-20.7	29.0	-10.4	9.2

Source: Company, PublicInvestResearch estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2019A	2020A	2021F	2022F	2023F
Property, Plant & Equipment	109,966.0	112,596.1	109,453.7	109,256.5	108,861.7
Cash and Cash Equivalents	14,251.6	13,415.4	22,339.7	27,724.9	33,407.8
Receivables	4,760.5	6,893.7	4,565.2	4,633.8	4,703.5
Other Assets	49,869.1	48,528.1	41,848.9	38,122.5	34,372.2
Total Assets	178,847.2	181,433.3	178,207.5	179,737.6	181,345.3
Payables	9,220.3	10,534.1	8,244.5	8,448.3	8,532.9
Borrowings	45,411.7	49,452.6	40,932.4	39,898.4	38,865.4
Deferred tax	7,783.0	7,805.8	7,783.0	7,783.0	7,783.0
Other Liabilities	58,450.4	56,190.9	58,901.5	59,186.3	59,476.8
Total Liabilities	120,865.4	123,983.4	115,861.4	115,316.1	114,658.2
Shareholders' Equity	57,981.8	57,449.9	62,346.0	64,421.5	66,687.1
Total Equity and Liabilities	178,847.2	181,433.3	178,207.5	179,737.6	181,345.3

Source: Company, PublicInvestResearch estimates

PER SHARE DATA & RATIOS

FYE Dec	2019A	2020A	2021F	2022F	2023F
Book Value Per Share	10.2	10.1	11.0	11.3	11.7
NTA Per Share	10.2	10.1	11.0	11.3	11.7
EPS (Sen)	79.6	63.1	81.5	73.0	79.7
DPS (Sen)	100.0	80.0	40.7	36.5	39.8
Payout Ratio (%)	125.6	126.8	50.0	50.0	50.0
ROA (%)	2.5	2.0	2.6	2.3	2.5
ROE (%)	7.8	6.3	7.4	6.4	6.8

Source: Company, PublicInvestResearch estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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