Tenaga Nasional Berhad

(5347 | TNB MK) MAIN |Utilities

FTSE4Good SHARIAH Compliant 3 Stars

Corporate Update

Upgrade to BUY

Revised Target Price **RM15.13** (from: RM14.20)

Lifted by Demand Growth

Upgrade to BUY. We upgrade our recommendation on Tenaga Nasional Berhad (TNB) to **BUY** from NEUTRAL previously as we adjust our DCF-derived target price higher to RM15.13 after tweaking our demand assumptions higher, in line with the stronger demand seen in FY24. We like Tenaga as a beneficiary of the energy transition and its strong demand growth, which has now surpassed the country's GDP growth. The stock is currently trading at 17.6x FY25E PER. While this is slightly higher than its five-year mean of 16.5x, we believe this is fair, reflecting stronger expectations of its future earnings. The expected dividend yield also remains attractive at 4.0%.

Above expectations. TNB's 4QFY24 core earnings rose about 2.4x to RM1.51b, after removing forex translation losses of -RM553.8m. The cumulative 12 months of FY24 saw core earnings rising +32.1% to RM4.21b, coming in above expectations after exceeding our estimates by +11.7% and consensus by +5.2%. The group declared a final DPS of 26 sen per share, bringing the full-year FY24 DPS to 51 sen per share, an increase of +10.9% and a dividend payout ratio of 68.9%.

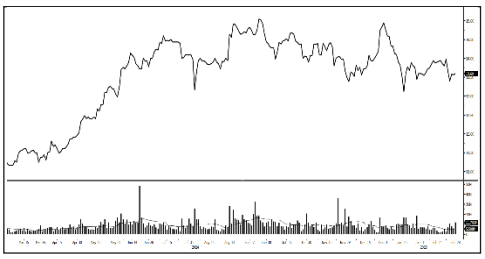
Key takeaways. Revenue in FY24 grew +6.9% to RM56.74b, driven by a +5.5% in electricity sales and a +6.5% growth in demand, mainly from the commercial and domestic sectors. ICPT was in a lower under-recovery position by -14.2% to RM9.10b (FY23: RM10.60b) due to lower fuel prices. GenCo saw an improved overall performance during the year, with an equivalent availability factor (EAF) of 81.2% despite the outage of the Manjung 4 power plant in Perak. Despite a -4.7% lower revenue at RM24.10b, EBIT grew 2.6x to RM1.27b on the back of an improved operational performance and stabilising global fuel prices, especially coal.

Demand growth. Revenue in FY24 grew +6.9% to RM56.74b, driven by a +5.5% in electricity sales and a +6.5% growth in demand to 130.8TWh, mainly from the commercial and domestic sectors, which saw growths of +9.2% and +8.5% respectively. As Tenaga's allowed annual revenue for revenue-cap entities was capped at 118.1TWh in 2024 (+1.7%yoy) – the excess demand of 12.7TWh in 1HFY24 was adjusted under the revenue-cap mechanism.

Manjung 4 back online. The 1,010MW Manjung 4, which has been offline since Dec-23, has resumed full commercial operations in Jan-25.

RETURN STATISTICS	
Price @ 28th Feb 2025 (RM)	13.60
Expected share price return (%)	+11.3
Expected dividend yield (%)	+4.0
Expected total return (%)	+15.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.0	-1.3
3months	-9.0	1.6
12 months	20.4	17.6

INVESTMENT STATISTICS

FYE Mar	2024A	2025F	2026F
Revenue	56,737	62,182	64,566
Operating Profit	8,720	9,702	10,382
Profit Before Tax	5,815	5,623	6,100
Core PATAMI	4,206	4,490	4,857
Core EPS	74.0	79.0	85.4
DPS	51.0	54.0	60.0
Dividend Yield	3.8%	4.0%	4.4%

KEY STATISTICS	
FBM KLCI	1,574.70
Issued shares (m)	5800.42
Estimated free float (%)	53.37
Market Capitalisation (RM'm)	79,056.09
52-wk price range	RM10.90 - RM15.2
3-mth average daily volume (m)	7.67
3-mth average daily value (RM'm)	106.11
Top Shareholders (%)	
Amanah Saham Nasional Bhd	21.23
Khazanah Nasional Bhd	20.91
Employees Provident Fund Board	19.27

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TENAGA NASIONAL BERHAD: 4QFY24 RESULTS SUMMARY

FYE Dec (RMm)	4Q23	3Q24	4Q24	YoY	QoQ	FY23	FY24	YTD
Revenue	13,652.0	14,351.6	14,378.3	5.3%	0.2%	53,066.9	56,737.1	6.9%
EBITDA	**4,279.8**	**4,494.4**	**5,553.6**	**29.8%**	**23.6%**	**18,622.6**	**19,952.4**	**7.1%**
Depreciation	(2,897.3)	(2,882.0)	(2,711.9)	-6.4%	-5.9%	-11,265.7	(11,232.3)	-0.3%
Operating profit	1,382.5	1,612.4	2,841.7	105.5%	76.2%	7,356.9	8,720.1	18.5%
Net interest expense	(822.4)	(848.4)	(895.1)	8.8%	5.5%	(3,786.8)	(3,469.1)	-8.4%
Forex translation gain/(loss)	71.9	1,112.5	(553.8)	-870.2%	-149.8%	(290.6)	492.2	-269.4%
Associates/JVs	26.7	14.4	(193.3)	-824.0%	-1442.4%	62.4	107.5	72.3%
FV change financial instr.	(63.9)	(44.1)	(6.1)			(49.4)	(11.1)	
Pretax profit	673.9	1,839.7	1,193.4	77.1%	-35.1%	3,373.6	5,814.8	72.4%
Tax	(149.5)	(243.9)	(234.9)	57.1%	-3.7%	(770.0)	(1,085.2)	40.9%
Minority Interest	(59.5)	47.2	(46.7)	-21.5%	-198.9%	(166.7)	31.0	-118.6%
Reported net profit	583.9	1,584.3	954.5	63.5%	-39.8%	2,770.3	4,698.6	69.6%
Core net profit	**635.6**	**471.8**	**1,508.3**	**137.3%**	**219.7%**	**3,184.5**	**4,206.4**	**32.1%**
EPS (sen)	10.0	27.3	16.4	63.5%	-39.8%	47.7	80.8	69.6%
Core EPS (sen)	**11.2**	**8.3**	**26.5**	**137.3%**	**219.7%**	**56.0**	**74.0**	**32.1%**
DPS (sen)	18.00	25.00	26.00	-	-	46.00	51.00	10.9%
EBITDA margin	31.3%	31.3%	38.6%	*7.3*	*7.3*	35.1%	35.2%	*0.1*
Operating profit margin	10.1%	11.2%	19.8%	*9.6*	*8.5*	13.9%	15.4%	*1.5*
Pretax margin	4.9%	12.8%	8.3%	*3.4*	*(4.5)*	6.4%	10.2%	*3.9*
Effective tax rate	-22.2%	-13.3%	-19.7%			-22.8%	-18.7%	
Core net profit margin	4.7%	3.3%	10.5%	*5.8*	*7.2*	6.0%	7.4%	*1.4*

Source: Company, MIDFR

TENAGA NASIONAL BERHAD: RESULT BREAKDOWN

Unit Revenue/Cost Analysis	4Q23	3Q24	4Q24	YoY	QoQ	FY23	FY24	YTD
Average tariff achieved for TNB sale (sen/kwH)	**39.92**	**40.28**	**40.04**	**0.3%**	**-0.6%**	**40.00**	**40.26**	0.6%
Sales-to-Generation	*92.5%*	*92.1%*	*92.5%*			*92.1%*	*92.3%*	
Demand sales volume (GWh)	**31,491**	**33,359**	**32,470**	**3.1%**	**-2.7%**	**123,206**	**130,848**	**6.2%**
Generation volume (GWh)	34,055	36,235	35,095	3.1%	-3.1%	133,785	141,790	6.0%
Unit Revenue (sen/kwh)	39.92	40.28	40.04	0.3%	-0.6%	40.00	40.26	0.6%
Unit Generation Cost (sen/kwh)	25.09	24.52	23.89	-4.8%	-2.6%	26.12	24.75	
Unit Cost (sen/kwH) - Total cost	**43.64**	**41.89**	**41.02**	**-6.0%**	**-2.1%**	**42.88**	**41.58**	-3.0%
Unit Cost (sen/kwH) - IPP & TNB Fuels	24.95	24.71	23.63	-5.3%	-4.4%	26.13	24.67	-5.6%
Unit Cost (sen/kwH) - Repair & maintenance	2.57	2.31	2.61	1.7%	13.0%	2.27	2.29	1.1%
Unit Cost (sen/kwH) - General expenses	2.16	1.43	2.31	6.9%	61.3%	1.46	1.55	6.1%
Unit Cost (sen/kwH) - Staff cost	3.03	2.52	2.55	-16.1%	1.2%	2.91	2.63	-9.7%
Gross Electricity Sale Revenue (RMm):	**13,351.2**	**14,281.2**	**13,799.3**	**3.4%**	**-3.4%**	**52,383.7**	**56,019.2**	6.9%
TNB (without ICPT)	12,570.3	13,438.2	13,001.5	3.4%	-3.2%	49,278.7	52,675.0	6.9%
EGAT	0.1	0.2	24.7	24600.0%	12250.0%	0.4	25.3	6225.0%
SESB	545.2	570.2	565.2	3.7%	-0.9%	2,095.4	2,280.5	8.8%
TNBI (UK Wind) = TNBI	185.7	230.7	170.6	-8.1%	-26.1%	776.4	876.7	12.9%
TNBI (Vortex)								
Sales Discounts & Accrued Revenue	49.9	41.9	37.3	-25.3%	-11.0%	232.8	161.7	-30.5%

Source: Company, MIDFR

Demand Sales (GWh)	4Q23	3Q24	4Q24	YoY	QoQ	FY23	FY24	YTD
Industrial	11,416	11,651	11,162	-2.2%	-4.2%	44,482	45,193	1.6%
Commercial	11,070	11,883	11,967	8.1%	0.7%	42,675	46,593	9.2%
Domestic	8,356	9,144	8,650	3.5%	-5.4%	33,540	36,376	8.5%
Others	649	680	690	6.3%	1.5%	2,509	2,686	7.1%
Total Demand (GWh)	**31,491**	**33,358**	**32,469**	**3.1%**	**-2.7%**	**123,206**	**130,848**	**6.2%**

Source: Company, MIDFR

Cost Analysis (RMm)	4Q23	3Q24	4Q24	YoY	QoQ	FY23	FY24	YTD
IPP purchase cost	3,992.1	4,612.0	4,086.7	2.4%	-11.4%	15,498.4	17,626.9	13.7%
- Capacity payment	*47.7*	*(67.8)*	*94.1*	*97.3%*	*-238.8%*	*(12.8)*	*104.3*	*-914.8%*
- Energy payment	*3,944.4*	*4,679.8*	*3,992.6*	*1.2%*	*-14.7%*	*15,511.2*	*17,522.6*	*13.0%*
Fuel costs	4,552.3	4,273.6	4,298.6	-5.6%	0.6%	19,452.3	17,460.0	-10.2%
Repair & Maintenance	874.5	837.7	916.7	4.8%	9.4%	3,030.8	3,247.6	7.2%
Staff cost	1,033.5	911.5	893.5	-13.5%	-2.0%	3,889.1	3,723.5	-4.3%
TNB General Expenses	735.8	518.7	810.4	10.1%	56.2%	1,950.1	2,192.4	12.4%
Subsi. COS & Opex	775.8	1,142.3	679.7	-12.4%	-40.5%	2,284.7	3,475.6	52.1%
Depreciation & Amortisation	2,897.3	2,882.0	2,711.9	-6.4%	-5.9%	11,265.7	11,232.3	-0.3%
Total	**14,861.3**	**15,177.8**	**14,397.5**	**-3.1%**	**-5.1%**	**57,371.1**	**58,958.3**	**2.8%**
Total gen cost	8,544.4	8,885.6	8,385.3	-1.9%	-5.6%	34,950.7	35,086.9	0.4%
Total non-gen cost	6,316.9	6,292.2	6,012.2	-4.8%	-4.4%	22,420.4	23,871.4	6.5%

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology