

KERATAN AKHBAR

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UTILITIES

PETALING JAYA: Hong Leong Investment Bank (HLIB) Research sees positive developments for Tenaga Nasional Bhd (TNB), which is a major beneficiary of the recently launched National Energy Transition Roadmap (NETR).

The power utility group will be able to accelerate its investments into energy transitioning to diversify earnings base and support future earnings growth, the research house said.

Under the NETR, there 10 flagship catalytic projects and initiatives that could open up energy transition investment opportunities between RM435bil and RM1.85 trillion by 2050.

"TNB is the major player for these projects.

"The group will directly benefit from

the cumulative 3GW solar projects as well as the increasing demand for rooftop solar through its subsidiary GSPARX Sdn Bhd," said the research house in a note to clients yesterday.

Furthermore, the government will also allow a two-tier pricing mechanism, higher prices for renewable energy (RE) and export markets.

"This will allow TNB to accelerate investments to digitalise the transmission and grid, budgeting RM35bil for 2025-2030, pushing for higher asset base size with higher allowable income under Regulated Asset Base-Incentive-based Regulation framework," explained HLIB Research.

Another plus factor is that TNB is one of the major winners in the recently announced Corporate Green Power Programme.

The NETR Part 2 is expected to be announced by August or September this year.

On environmental, social and governance (ESG), TNB which is Malaysia's largest energy player will also improve its ESG profile as the group transitions into more RE and reduce exposure towards conventional fuel energy as envisaged under NETR.

HLIB Research said the group is now incentivised to accelerate investments into RE, which include solar, hydropower and biomass, hydrogen, ammonia, carbon capture, utilisation and storage) and battery energy storage system).

TNB is also exploring early retirement of coal-fired power plants, it added.

On the imbalance cost pass-through (ICPT), the research house noted TNB has fully recovered the government's subsidy obligation for ICPT in the first half of this year totalling RM10.4bil in mid-July.

"For the second half of 2023, the government is committed to a substantially lower amount of RM5.2bil, mainly due to

lower fuel generation costs following drop in global energy prices and further reform of tariff structure.

"Therefore, we expect continuous improvement in TNB's balance sheet and cash flow and lower receivables in the upcoming results," HLIB Research noted.

In another development, the research house said it noticed there was material net foreign fund inflow for TNB shares worth RM305mil in June-July period, which is second to Maybank's RM501mil, potentially pushing foreign shareholdings higher than January 2023's level.

TNB has continued to sustain its earnings with improving balance sheet and cash flow for the past quarters. "We also expect stronger dividend payout in financial year 2023 to regain investors' interest," it added.

Hence, HLIB Research has reiterated a "buy" call on the stock with an unchanged target price of RM12.