



AmInvestment Bank

Company report

Gan Huey Ling, CFA

gan-huey-ling@ambankgroup.com

603 2036 2305

POWER

TENAGA NASIONAL

(TNB MK, TENA.KL)

30 July 2020

Buys 5% of Jimah Energy Ventures

BUY

Price: RM11.42

Fair Value: RM13.95

Rationale for report: Company update

YE to Dec	FY15	FY16F	FY17F	FY18F
EPS (sen)	84.7	69.1	89.7	94.3
PE (x)	13.5	16.5	12.7	12.1

Source : AmInvestment Bank Bhd

- Tenaga Nasional (TNB) has proposed to acquire a 5% stake in Jimah Energy Ventures (JEV) and 5% Class B notes issued by Special Power Vehicle Bhd (set up to finance the construction of the JEV power plants) for RM80mil from Menteri Besar Negeri Sembilan (Incorporation).
- Currently, TNB owns a 20% stake in JEV (before the proposed acquisition of 5%) and 20% of the Class B notes.
- Edra Power owns 75% of JEV while Menteri Besar Negeri Sembilan owns 5%.
- Edra Power is a subsidiary of CGN (China General Nuclear) Power Corporation.
- After the proposed acquisition, Menteri Besar Negeri Sembilan would no longer have a stake in JEV. TNB's stake in JEV would increase to 25% from 20%.
- JEV operates 1,400MW coal power plants in Port Dickson, Negeri Sembilan. JEV commissioned its first unit of 700MW in January 2009.
- We believe that earnings contribution from the additional stake of 5% in JEV is minimal.
- Assuming an earnings yield of 5%, the investment of RM80mil would generate a profit of RM4mil per year. We estimate TNB's normalised net profit (excluding forex and impairments) to be RM3.9bil in FY20E.
- As TNB would eventually own 25% of JEV, earnings from JEV would be recognised under share of net profit in associates.
- The purchase consideration of RM80mil was derived based on an external advisor's valuation of the 5% stake in JEV and internal valuation of the discounted cash flows of the Class B notes.
- We maintain BUY on TNB with a fair value of RM13.95/share.

Quick Take

TABLE 1 : VALUATION MATRIX

(RM mil) YE Dec	FY18	FY19	FY20E	FY21F	FY22F
Revenue (RMmil)	50,392.5	50,939.7	48,171.6	52,294.0	53,321.7
Net Profit (RMmil)	5,420.0	4,819.2	3,928.1	5,100.4	5,363.7
EPS (sen)	95.3	84.7	69.1	89.7	94.3
EPS growth (%)	(22.1)	(11.1)	(18.5)	29.8	5.2
Consensus net profit (RMmil)	6,278.0	5,578.0	5,055.0	5,364.0	5,524.0
DPS (sen)	53.3	100.0	35.0	55.0	57.0
PE (x)	12.0	13.5	16.5	12.7	12.1
EV/EBITDA (x)	8.0	5.6	5.9	5.4	4.9
Div yield (%)	4.7	8.8	3.1	4.8	5.0
ROE (%)	9.4	8.3	6.7	8.3	8.4

Source : AmInvestment Bank Bhd

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad (“AmInvestment”) without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures, investment or other products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmInvestment’s views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment’s affiliates and/or related corporations (collectively, “AmBank Group”).

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment’s prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents (“Relevant Person”) accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.