



AmInvestment Bank

Company report

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POWER

TENAGA NASIONAL

(TNB MK, TENA.KL)

8 Sep 2021

To develop 300MW Nenggiri hydro plant

BUY

Price: RM10.34

Fair Value: RM12.10

Rationale for report: Company update

YE to Dec	FY20	FY21E	FY22F	FY23F
EPS (sen)	68.0	81.9	84.3	87.7
PE (x)	15.2	12.6	12.3	11.8

Source : AmInvestment Bank Bhd

- Tenaga Nasional (TNB) has received a letter of motification from the Ministry of Energy and Natural Resources to develop a 300MW hydroelectric power plant at Mukim Ulu Nenggiri, Gua Musang, Kelantan.
- The hydroelectric power plant is estimated to take five years to be completed.
- The scheduled commercial operating date is expected to be 1 June 2027. The project is estimated to cost about RM5bil. TNB will use debt and equity to finance the hydroelectric power plant.
- We view this development positively. The 300MW Nenggiri hydroelectric power plant would increase TNB's renewable assets portfolio to 3,706W from 3,406MW currently.
- TNB's objective is to achieve a renewable assets portfolio of 8,300MW by FY25F. TNB also plans to reduce its coal generating capacity by 50% by FY35F and be coal-free by FY50F.
- We do not expect the Nenggiri hydroelectric power plant to contribute significantly to TNB's earnings in the immediate term as the power plant would take five years to be completed. Also, the size of the power plant is small at 300MW.
- As at end-FY20, TNB's effective generating capacity stood at 13,857MW. In FY20, hydro accounted for 3.8% of Peninsular Malaysia's generation mix while solar accounted for another 0.7%.
- We maintain BUY on TNB with a fair value of RM12.10/share.

Quick Take

EXHIBIT 1 : VALUATION MATRIX

(RM mil) YE Dec	FY19	FY20	FY21E	FY22F	FY23F
Revenue (RMmil)	50,939.7	43,976.0	48,498.4	49,975.4	50,709.2
Net Profit (RMmil)	4,819.2	3,869.4	4,658.0	4,793.8	4,988.7
EPS (sen)	84.7	68.0	81.9	84.3	87.7
EPS growth (%)	(11.1)	(19.7)	20.4	2.9	4.1
Consensus net profit (RMmil)			4,807.0	4,925.0	5,069.0
DPS (sen)	100.0	80.0	80.0	85.0	90.0
PE (x)	12.2	15.2	12.6	12.3	11.8
EV/EBITDA (x)	5.3	5.6	5.3	5.3	5.3
Div yield (%)	9.7	7.7	7.7	8.2	8.7
ROE (%)	8.3	6.8	8.3	8.6	8.9

Source : AmlInvestment Bank Bhd

EXHIBIT 2 : ESG RATING

Overall	★	★	★		
RSPO certification	★	★	★		
Supply chain auditing	★	★	★		
Migrant workers welfare	★	★	★	★	
Forest fires	★	★	★		
Work site safety	★	★	★	★	
Corporate social responsibility	★	★	★		
Corruption free pledge	★	★	★	★	
Accessibility and transparency	★	★	★	★	

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

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