

# TNB defensive earnings profile provides safe haven for investors

**PETALING JAYA:** Analysts are optimistic about Tenaga Nasional Bhd's (TNB) post-pandemic prospects, as the utility company's earnings resiliency remains high.

Kenanga Research in a report yesterday said the Covid-19 impact on TNB is likely over.

"We have imputed RM500mil worth of Covid-19 impact in the first half of TNB's 2021 financial year in our forecast. With no government announcements so far, we believe there is likely to be no more sales discount and contribution in 2021.

"However, we prefer to keep our 2021 forecast unchanged for at least one more quarter before adding back the RM500mil assump-

tion. Nonetheless, we remain optimistic on its earnings prospects post-pandemic, as its earnings resiliency remains high."

Kenanga Research said it forecasts TNB to hit a net profit of RM5.27bil for 2022, with an unchanged dividend pay-out ratio of 50%.

TA Securities said TNB's defensive earnings profile provides a safe haven for investors in the face of recessionary headwinds.

"Recall that the bulk (93% to 94%) of the group's profits are insulated from demand risks, given the revenue-pap mechanism for transmission and distribution regulated earnings.

"The confirmation of the second regulatory

2/3/2021 15:7  
period (RP2) extension year translates to enhanced earnings visibility and stability for 2021.

"We were concerned about the lower asset returns during RP3. This is on the back of the government's intention to drive asset efficiency that will lead to lower electricity tariffs."

For the financial year ended Dec 31, 2020, TNB's net profit fell 20.6% to RM3.59bil from RM4.52bil in 2019.

This is mainly due to lower revenue recorded, lower finance income resulting from lower interest rates and higher finance cost attributed to the expense of finance cost to the profit and loss for its newly commissioned plant.

Revenue in 2020 decreased by 13.7% to RM43.97bil from RM50.93bil, mainly due to lower sales of electricity.

Maybank Investment Bank Research said results were slightly below expectations, but in line with consensus.

"Despite management's renewable energy ambitions, TNB surprised with a sizable 40 sen special dividend per share. Reiterate 'buy' with a lower RM12 discounted cashflow-based target price.

"Our expectation of an earnings recovery in 2021 is reaffirmed by the lowering of reference coal price in the RP2 extension," it said.