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Maybank IB sees brighter days ahead for TNB

TENAGA Nasional Bhd (TNB) is set for brighter days ahead due to the weak ringgit as well as a more efficient systems and operations.

In its research report, Maybank Investment Bank Bhd (Maybank IB) said the utility's second-quarter net profit (excluding foreign exchange) of RM2.4 billion was again ahead of its already bullish expectations as system loss registered a new low.

"On a gross (pre-tax) basis, the fuel cost over-recovery could be as high as RM2 billion. The 5.8 per cent tariff rebate for March to June this year was meant to only claw back cumu-

lative RM700 million.

"Thus, it is highly likely that tariff rebates would continue beyond June and possibly at an even higher quantum," it said in its note yesterday, adding that it would maintain a "buy" call on the stock with a target price of RM16.

"Our forecasts are unchanged for now, with earnings risks skewed to the upside for fiscal year 2015,"

Maybank IB said.

It valued TNB using a discounted cash flow methodology, assuming a 7.3 per cent weighted average cost of capital and one per cent long-term growth.

Analysts' notes