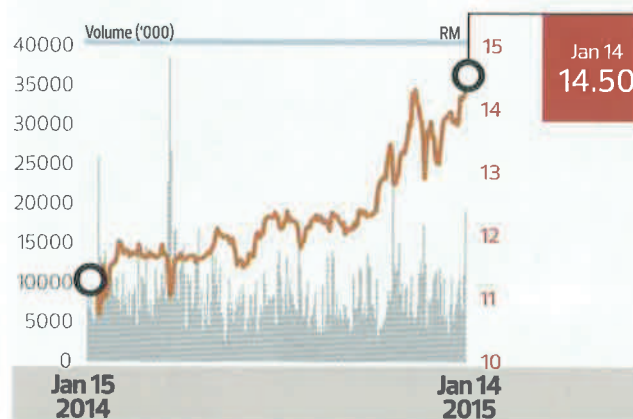


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Tenaga Nasional Bhd

Target price: **RM15.92 ADD**



CIMB RESEARCH (JAN 14): In 1QFY15, Tenaga's gas use continued to decline, as it did in the previous quarter. Compared with 3QFY14 when its gas use peaked, this decline was 12%. The lower gas usage implies that Tenaga's coal power generation improved in 1QFY15, as its coal power plants gradually came on stream. Given the lower usage of gas in 1QFY15, we believe that Tenaga will post strong y-o-y and q-o-q improvement in 1QFY15 net profit.

We think Tenaga's near-term earnings outlook is stable despite the lack of tariff hikes because of several factors: the improvement in coal usage from the power plants' recovery, Tenaga's own coal-fired power plant Manjung 4 coming on stream by March 2015, and weaker liquefied natural gas and coal prices, which would give Tenaga breathing room in terms of fuel costs.

Given the improved near-term earnings outlook and jittery market conditions, we think Tenaga will post positive share price performance in the next three to six months, as investors seek stable earnings after the rout of oil and gas stocks.