

Headline	Analysts still see upside for TNB, as share price approaches record high		
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BY AHMAD NAQIB IDRIS

KUALA LUMPUR: Prospects for Tenaga Nasional Bhd shares remain bright even as the counter approaches its record high, with some analysts labelling it as a potential safe haven stock.

Analysis predict a further upside of up to 20% in the state-controlled utility company's share price, largely driven by growing demand.

And with TNB expected to continue registering stable results, especially with the imbalance cost pass-through (ICPT) mechanism in place, it is set to become a safe haven investment amid uncertain and volatile global markets.

"The ICPT was implemented last year and is now in its second year," an analyst attached to a major research house told *The Edge Financial Daily*. "If TNB continues to post good results in the coming years, the counter could be considered a safe haven, especially if conditions are still uncertain going forward."

The analyst noted that TNB's share price has been doing well, especially after the implementation of the ICPT.

"Prior to the implementation, TNB was trading at around RM5 to RM6 per share, and has since more than doubled. With the ICPT in place, earnings are more stable, predictable, and earnings visibility is better," he said.

The share price inched towards its Jan 23, 2015 price of RM14.67, gaining 25% over the past year. Last Friday, the counter closed two sen or 0.14% higher at RM14.42, valuing the company at RM81.27 billion.

Despite the share price nearing record levels, Kenanga Investment Bank Bhd analyst Teh Kian Yeong said valuation for the stock is still cheap.

"TNB accounts for a large weightage of the index, so its valuations should be on par with the KLCI (FBM KLCI). However,

TNB's price-earnings ratio (PER) is still cheap at around 13 times to 14 times, compared with the KLCI's PER of 17 times to 18 times.

"We expect some top-line growth going forward, driven by growing demand. However, demand should normalise towards

the end of the year, as the impact from El Niño subsides," he said.

Kenanga has an "outperform" call on TNB, with a target price (TP) of RM17.50, translating to a 21% upside to its current share price.

TA Securities Holdings Bhd recently increased its TP for the counter to RM16.87, following stellar third-quarter results posted by TNB. The research house upgraded its earnings assumptions for FY16, FY17 and FY18 by 17%, 3% and 3% respectively.

"Following the upgrade in earnings, our discounted cash flow-TP for TNB is raised to RM16.87 (previous: RM16.36).

"Maintain 'buy' on the stock for the following reasons: liquid safe haven stock with stable earnings, dividend upside from capital management study with expected completion date soon by end-CY16 (calendar year 2016), potential upside from aggressive equity investments in high-growth emerging markets and robust balance sheet," it said in a note.

For the third quarter ended May 31, 2016 (3QFY16), TNB's net profit spiked 192% to RM2.31 billion, from RM789.4 million in 3QFY15, as revenue rose 22% to RM12.13 billion.

The profit jump was attributed to lower recognition of over recoverability of ICPT of RM537.6 million in 3QFY16, compared with RM1.82 billion in 3QFY15. The over recovered amount in 3QFY15 was for three quarters, following the implementation of the system last year.

For the nine months to May 31 (9MFY16), net profit climbed 6% to RM5.61 billion, from RM5.29 billion in 9MFY15, in line with a 6% gain in revenue to RM33.29 billion.

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