

▶ TENAGA NASIONAL BHD				
	2009	2010F	2011F	2012F
REVENUE (RM mil)	28,785.6	30,722.0	31,643.6	32,592.9
NET PROFIT (RM mil)	2,126.0	2,688.7	2,867.8	3,152.8
EPS (sen)	49.0	60.4	64.4	70.8
P/E (x)	17.6	14.3	13.4	12.2

Investors advised to buy TNB stock before review of tariffs

- ▶ **Recommendation: Buy**
Target Price: RM9.90
 By ECM Libra Investment Research (July 15)

Weaker QoQ

Tenaga Nasional Bhd (TNB) recorded 3QFY10 core net profit of RM533.9 million (+16% YoY, -37% QoQ) bringing 9MFY10 core net profit to RM2.1 billion (+22% YoY), which was above expectations at 84% of our full year estimate but below consensus at 69% of consensus estimates.

Its 9MFY10 revenue of RM22.5 billion (+5% YoY) was within expectations at 74% of our FY10 estimate.

As expected, no dividends were declared in 3QFY10.

Tweaking Estimates

We tweak our earnings estimates upwards to account for 9% unit demand growth for the whole of FY10 (previous: 7.5%, management guidance: 9% to 10%).

The management expects 4QFY10 coal prices to average at USD95/MT but still average at USD90/MT for the whole of FY10, maintaining their earlier guidance that we are utilising.

Tariff Review In Limbo

We understand that both base tariff and fuel-cost adjustment reviews will be conducted simultaneously but are unlikely to be carried out this year.

Also, the tender to expand

Janamanjung by 2,000MW is not "in the bag" *per se* with independent power producers, Tanjung Bin and Jimah Energy Ventures, bidding to expand theirs.

Both were not accounted for in our earnings' estimates.

Maintain 'Buy'

At current prices, TNB is trading at 13x 1-year forward PE.

Our unchanged TP of RM9.90 implies 15x 1-year forward PE, which is the post-July 2006 average. We believe that current valuations are still attractive. 1-year forward PEs even hit 19x after the 11% tariff hike in Jul 2006.

Investors should 'Buy' TNB now before both tariffs are reviewed.