Corporate Update

Tenaga Nasional Berhad

(5347 | TNB MK) MAIN |Utilities

FTSE4Good SHARIAH Compliant ESG 3 Stars

Maintain BUY

Unchanged Target Price **RM15.13**

1QFY25 Results Review Off to A Good Start

Maintain BUY. We maintain our **BUY** recommendation on Tenaga Nasional Berhad (TNB) and our DCF-derived **TP** of **RM15.13.** We like Tenaga as a beneficiary of the energy transition and its strong demand growth, which surpassed the country's GDP growth in 2024. While electricity demand inched lower in 1QFY25, we believe this was in line with the shorter quarter and the festivity holidays. The stock is currently trading at 16.8x FY26F PER, which is close to its five-year mean of 16.5x. We believe this is fair, as it continues to reflect strong expectations of its future earnings. The expected dividend yield also remains attractive at 3.9%. TNB remains one of the main beneficiaries of the overarching National Energy Transition Roadmap (NETR).

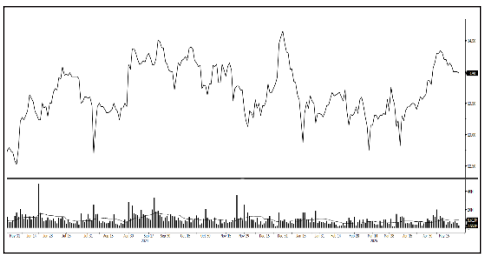
Within expectations. TNB got on to an electrifying start to the year with a +12.4%yoy jump in its 1QFY25 core earnings to RM1.03b. The bottom line is within expectations, coming in at 22.8% of our and 21.4% of consensus' full-year estimates.

Key takeaways. Revenue for the quarter grew +17.6%yoy to RM16.04b, on the back of higher electricity sales due to other regulatory adjustments under the IBR framework. The ICPT was in an over-recovery position of RM175.2m as compared to an under-recovery of RM2.35b in 1QFY24 due to lower fuel prices. GenCo booked a revenue of RM5.72b (-0.6%yoy) but its bottom line rebounded into the black at RM25.4m, as compared to a loss after tax of -RM80.4 in 1QFY24. The stronger performance is attributable to an improved operational performance with an equivalent availability factor (EAF) of 82.0%. Global fuel prices also stabilised, especially coal while OPEX came in lower due to an unplanned outage at the Port Dickson plant caused by the flash-fire incident in Feb-25.

Slower demand. Electricity demand moderated during the quarter to 31.5 TWh (-1.2%yoy) due to lower consumption in the industrial and domestic sectors. Only the commercial sector saw a demand growth by +5.1%yoy to 11.7TWh, with the main contributors being data centres, and business and accommodation services. This was also the first full quarter incorporating sales from the export of renewable energy to Singapore through ENEGEM, which began in Dec-24. Sales from energy exports rose 2.3x to RM57.0m during the quarter.

RETURN STATISTICS	
Price @ 27th May 2025 (RM)	14.00
Expected share price return (%)	+8.1
Expected dividend yield (%)	+3.9
Expected total return (%)	+12.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.2	2.2
3months	4.6	7.5
12 months	5.9	12.4

INVESTMENT STATISTICS

FYE Mar	2024A	2025F	2026F
Revenue	56,737	62,182	64,566
Operating Profit	8,720	9,702	10,382
Profit Before Tax	5,815	5,623	6,100
Core PATAMI	4,206	4,490	4,857
Core EPS	74.0	79.0	85.4
DPS	51.0	54.0	60.0
Dividend Yield	3.8%	4.0%	4.4%

KEY STATISTICS	
FBM KLCI	1,526.16
Issued shares (m)	5800.42
Estimated free float (%)	53.37
Market Capitalisation (RM'm)	79,056.09
52-wk price range	RM10.90 - RM15.2
3-mth average daily volume (m)	7.67
3-mth average daily value (RM'm)	106.11
Top Shareholders (%)	
Amanah Saham Nasional Bhd	21.23
Khazanah Nasional Bhd	20.91
Employees Provident Fund Board	19.27

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TENAGA NASIONAL BERHAD: 1QFY25 RESULTS SUMMARY

FYE Dec (RMm)	1Q24	4Q24	1Q25	YoY	QoQ
Revenue	13,640.4	14,378.3	16,038.7	17.6%	11.5%
EBITDA	**4,805.0**	**5,553.6**	**5,187.0**	**8.0%**	**-6.6%**
Depreciation	(2,780.2)	(2,711.9)	(2,865.3)	3.1%	5.7%
Operating profit	2,024.8	2,841.7	2,321.7	14.7%	-18.3%
Net interest expense	(870.9)	(895.1)	(799.5)	-8.2%	-10.7%
Forex translation gain/(loss)	(196.7)	(553.8)	32.2	-116.4%	-105.8%
Associates/JVs	19.6	(193.3)	19.6	0.0%	-110.1%
FV change financial instr.	27.6	(6.1)	(26.5)		
Pretax profit	1,029.8	1,193.4	1,554.2	50.9%	30.2%
Tax	(351.9)	(234.9)	(513.4)	45.9%	118.6%
Minority Interest	(37.8)	(46.7)	(17.2)	-54.5%	-63.2%
Reported net profit	715.7	954.5	1,058.0	47.8%	10.8%
Core net profit	**912.4**	**1,508.3**	**1,025.8**	**12.4%**	**-32.0%**
EPS (sen)	12.6	16.4	18.2	44.6%	10.8%
Core EPS (sen)	**16.0**	**26.5**	**18.0**	**12.4%**	**-32.0%**
DPS (sen)		26.00		-	-
EBITDA margin	35.2%	38.6%	32.3%	*(2.9)*	*(6.3)*
Operating profit margin	14.8%	19.8%	14.5%	*(0.4)*	*(5.3)*
Pretax margin	7.5%	8.3%	9.7%	*2.1*	*1.4*
Effective tax rate	-34.2%	-19.7%	-33.0%		
Core net profit margin	6.7%	10.5%	6.4%	*(0.3)*	*(4.1)*

Source: Company, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	50,867.7	53,066.9	60,280.1	62,182.0	64,566.4
EBIT	9,409.5	7,356.9	6,384.1	9,701.9	10,382.3
PBT	5,348.6	3,373.6	2,499.7	5,623.3	6,099.8
Taxation	(1,791.2)	(770.0)	(1,085.2)	(1,293.4)	(1,402.9)
PAT	3,463.3	2,770.3	1,383.5	4,489.9	4,856.8
Core earnings	3,804.1	3,184.5	3,766.3	4,489.9	4,856.8
EPS (sen)	65.4	54.8	64.8	77.2	83.5
PER (x)	21.4	25.6	21.6	18.1	16.8
DPS (sen)	46.0	46.0	51.0	54.0	61.0
Dividend yield (%)	3.3%	3.3%	3.6%	3.9%	4.3%

Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
PBT	5,348.6	3,373.6	2,499.7	5,623.3	6,099.8
Depreciation	11,402.5	11,265.7	14,857.4	12,031.0	12,269.3
Change in NWC	(10,680.0)	11,461.1	(1,969.8)	(104.5)	(227.4)
Operating cash flow	9,377.9	32,218.5	10,646.0	12,791.4	13,273.6
Capital expenditure	(8,428.9)	(10,571.2)	(11,171.4)	(12,000.0)	(13,000.0)
Investing cash flow	(14,553.1)	(5,782.1)	(11,031.9)	(11,860.5)	(12,860.5)
Debt raised/(repaid)	12,061.1	(2,112.0)	2,737.0	2,873.8	3,017.5
Dividends paid	(1,938.4)	(1,948.4)	(838.4)	(2,694.0)	(2,914.1)
Financing cash flow	3,595.8	(12,984.6)	1,898.6	179.9	103.4
Net cash flow	(1,579.4)	13,451.8	1,512.7	1,110.7	516.6
Beginning cash flow	5,634.9	4,056.1	17,507.9	19,020.6	20,131.3
Ending cash flow	4,056.1	17,507.9	19,020.6	20,131.3	20,648.8

Balance Sheet (RM'm)	2022A	2023A	2024A	2025F	2026F
PPE	116,577	122,024	121,824	125,278	129,495
ROU assets	44,289	42,087	42,087	42,087	42,087
Non-current assets	160,866	164,112	163,912	167,366	171,582
Trade receivables	22,827	13,220	15,029	15,503	16,097
Cash & bank balances	13,034	21,005	22,517	23,628	24,145
Current assets	45,056	40,659	43,751	45,415	46,626
Long-term debt	50,620	54,740	57,477	60,350	63,368
Non-current liabilities	107,359	111,150	113,887	116,761	119,778
Short-term debt	13,262	7,031	7,031	7,031	7,031
Trade payables	11,510	12,831	12,439	12,889	13,356
Current liabilities	37,597	32,539	32,147	32,597	33,064
Share capital	12,204	12,038	12,038	12,038	12,038
Reserves	46,313	46,596	47,141	48,937	50,880
Equity	60,966	61,083	61,628	63,424	65,367

Profitability Ratios (%)	2022A	2023A	2024A	2025F	2026F
EBIT margin	18.5	13.9	10.6	15.6	16.1
PBT margin	10.5	6.4	4.1	9.0	9.4
PATAMI margin	6.8	5.2	2.3	7.2	7.5
Core PATAMI margin	7.5	6.0	6.2	7.2	7.5
ROE	6.2	5.2	6.1	7.1	7.4

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology