Tenaga Nasional Berhad

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Corporate Update

Maintain BUY

Unchanged Target Price **RM16.40**

2QFY25 Results Review
Demand Hits New High

Maintain BUY. We maintain our **BUY** recommendation on Tenaga Nasional with an unchanged DCF-derived **TP** of **RM16.40**. The latest tariff framework under RP4 provides greater stability and transparency, especially through the dynamic Automatic Fuel Adjustment (AFA) that removes the lag in fuel-cost recovery thus, protecting Tenaga from fuel price swings. Electricity demand is also expected to be strong this year, with a projected growth of 3.5% to 4.5%. In May-25, peak electricity demand hit three new highs, with the latest on 27th May at 20.75GW, leading to an all-time high quarterly demand of 33.8 TWh. The stock is currently trading at 15.1x FY26F PER, lower than its five-year mean of 16.5x. The expected dividend yield also remains attractive at 3.8%.

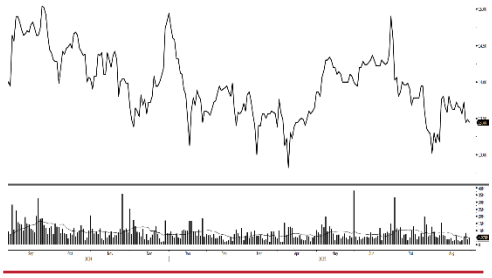
Below expectations. Tenaga Nasional Berhad posted core earnings of RM840.5m (-36.0%yoy) in 2QFY25, after netting off RM318.4m of forex translation gains, mainly due to the strengthening of the ringgit against the USD. Taxation also rose +68.2%yoy during the quarter to -RM428.0m, due to the cessation of reinvestment allowance. For the cumulative 6MFY25, the core earnings declined -9.5%yoy to RM1.87b, which came in below our and street's expectations at 38.5% and 39.8% respectively. Tenaga declared its first interim dividend per share (DPS) of 25 sen, equivalent to a payout ratio of 78.1% of its core earnings.

Key takeaways. Revenue for the quarter grew +17.2%yoy to RM16.84b, on the back of higher electricity sales during the quarter. The Imbalance Cost Pass-Through (ICPT) was in an over-recovery position of RM589.3m as compared to an under-recovery of RM2.82b in 2QFY24, due to lower fuel prices. GenCo booked a revenue of RM6.05b (+35.0%yoy) during the quarter, but its PAT declined -75.8%yoy to RM95.8m, mainly due to the impact of forex translation loss from the weakening of the ringgit against the JPY. The stronger contribution in 2QFY24 was also attributable to contributions from SJ Gelugor (PPA expired in Aug-24) and a RM163.0m one-off claim by SPG. In terms of generation mix, there was an uptick for coal generation to 61.3% from 58.0% in 1QFY25, likely due to lower coal prices. Generation from gas saw a decline from 34.4% to 32.1% while hydro dropped from 5.2% to 4.2%. Solar power generation was almost unchanged at 2.3% from 2.4% in the first quarter.

Stronger electricity demand. Electricity demand grew marginally during the quarter to an all-time high of 33.8 TWh (+2.0%yoy), lifted mainly by stronger consumption in the commercial sector by +7.9%yoy to 12.6 TWh, with the main contributors being data centres, business services and retails. The industrial and domestic sectors saw lower demand by -1.8%yoy and -1.1%yoy to 11.0 TWh and 9.5 TWh respectively. On quarter-on-quarter basis however, all sectors saw increases in demand sales.

RETURN STATISTICS	
Price @ 28th August 2025 (RM)	13.44
Expected share price return (%)	+22.0
Expected dividend yield (%)	3.8
Expected total return (%)	+25.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.6	-3.1
3months	-6.5	-8.5
12 months	-4.0	1.3

INVESTMENT STATISTICS

FYE Dec	2024A	2025F	2026F
Revenue	56,737	62,644	65,038
Operating Profit	8,720	10,164	10,854
Profit Before Tax	5,815	6,085	6,571
Core PATAMI	4,206	4,845	5,220
Core EPS	72.4	83.3	89.8
DPS	51.0	51.5	55.5
Dividend Yield	3.7%	3.8%	4.0%

KEY STATISTICS	
FBM KLCI	1,587.07
Issue shares (m)	5800.42
Estimated free float (%)	65.11
Market Capitalisation (RM'm)	78,343.67
52-wk price range	RM12.6 - RM15.2
3-mth average daily volume (m)	7.69
3-mth average daily value (RM'm)	106.83
Top Shareholders (%)	
Khazanah Nasional Bhd	20.85
Amanah Saham Nasional Bhd	20.76
Employees Provident Fund	19.82

Analyst

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Concerns over tax dispute. Tenaga's share price has weakened since the past month, primarily due to concerns over its tax disputes after the Federal Court ruled in favour of the Inland Revenue Board for the tax dispute of RM1.25b against Tenaga for the year of assessment 2018. On 2nd July, the Federal Court ruled that for Tenaga, the applicable schedule is 7B (Investment Allowance) instead of 7A (Reinvestment Allowance). While this ruling only pertains to 2018, the concerns now date back all the way to 2003 and up to 2023, with a potential amount under dispute of RM8.45b, or equivalent to RM1.45 per share and we believe the worst-case scenario has been largely priced in. Tenaga's share price fell -12.6% by the end of Jul-31 to RM13.02. In its quarterly results filing with the bourse yesterday, the group said it received a letter from the ministry dated 7 August 2025, acknowledging receipt of the application and confirming that it is under review and consideration. As per the advice of Tenaga's tax and legal advisors, the amounts are expected to be recovered, and no provision is required at this juncture.

Tenaga Nasional Berhad: 2QFY25 Results Summary

FYE Dec (RMm)	2Q24	1Q25	2Q25	YoY	QoQ	6MFY24	6MFY25	YTD
Revenue	14,366.8	16,038.7	16,835.0	17.2%	5.0%	28,007.2	32,873.7	17.4%
EBITDA	**5,099.5**	**5,187.0**	**5,082.9**	**-0.3%**	**-2.0%**	**9,904.5**	**10,269.9**	**3.7%**
Depreciation	(2,858.3)	(2,865.3)	(2,965.9)	3.8%	3.5%	(5,638.5)	(5,831.2)	3.4%
Operating profit	2,241.2	2,321.7	2,117.0	-5.5%	-8.8%	4,266.0	4,438.7	4.0%
Net interest expense	(854.7)	(799.5)	(814.3)	-4.7%	1.9%	(1,725.6)	(1,613.8)	-6.5%
Forex translation gain/(loss)	130.2	32.2	318.4	144.5%	888.8%	(66.5)	350.6	-627.2%
Associates/JVs	245.8	19.6	15.3	-93.8%	-21.9%	265.4	34.9	-86.9%
FV change financial instr.	11.5	(26.5)	(58.5)			39.1	(85.0)	
Pretax profit	1,766.9	1,554.2	1,601.4	-9.4%	3.0%	2,796.7	3,155.6	12.8%
Tax	(254.5)	(513.4)	(428.0)	68.2%	-16.6%	(606.4)	(941.4)	55.2%
Minority Interest	68.3	(17.2)	15.3	-77.6%	-189.0%	30.5	(1.9)	-106.2%
Reported net profit	1,444.1	1,058.0	1,158.1	-19.8%	9.5%	2,159.8	2,216.1	2.6%
Core net profit	**1,150.9**	**1,025.8**	**840.5**	**-27.0%**	**-18.1%**	**2,063.3**	**1,866.3**	**-9.5%**
EPS (sen)	25.4	18.2	19.9	-21.6%	9.5%	38.0	38.1	0.4%
Core EPS (sen)	**23.1**	**17.6**	**14.4**	**-37.6%**	**-18.1%**	**35.4**	**32.0**	**-9.5%**
DPS (sen)	25.00		25.00	-	-	25.00	25.00	0.0%
EBITDA margin	35.5%	32.3%	30.2%	*(5.3)*	*(2.1)*	35.4%	31.2%	*(4.1)*
Operating profit margin	15.6%	14.5%	12.6%	*(3.0)*	*(1.9)*	15.2%	13.5%	*(1.7)*
Pretax margin	12.3%	9.7%	9.5%	*(2.8)*	*(0.2)*	10.0%	9.6%	*(0.4)*
Effective tax rate	-14.4%	-33.0%	-26.7%			-21.7%	-29.8%	
Core net profit margin	9.1%	6.4%	5.0%	*(4.2)*	*(1.4)*	7.9%	5.7%	*(2.3)*
Payout ratio	108.2%	0.0%	173.4%	*65.2*		63.9%	78.1%	*14.2*

Source: Company MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	50,867.7	53,066.9	56,737.1	62,643.7	65,037.8
EBIT	9,409.5	7,356.9	8,720.1	10,163.6	10,853.8
PBT	5,348.6	3,373.6	5,814.8	6,085.0	6,571.2
Taxation	(1,791.2)	(770.0)	(1,085.2)	(1,399.5)	(1,511.4)
PAT	3,463.3	2,770.3	4,698.6	4,845.4	5,219.9
Core earnings	3,804.1	3,184.5	4,206.4	4,845.4	5,219.9
EPS (sen)	65.4	54.8	72.4	83.3	89.8
PER (x)	21.4	25.6	19.0	16.5	15.6
DPS (sen)	46.0	46.0	51.0	51.5	55.5
Dividend yield (%)	3.3%	3.3%	3.7%	3.8%	4.0%

Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
PBT	5,348.6	3,373.6	5,814.8	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	15.4	16.2	16.7
PBT margin	10.5	6.4	10.2	9.7	10.1
PATAMI margin	6.8	5.2	8.3	7.7	8.0
Core PATAMI margin	7.5	6.0	6.2	7.7	8.0
ROE	6.2	5.2	6.8	7.6	8.0

Source: Bloomberg, MBSBR

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MBSB INVESTMENT BANK (formerly known as 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~~

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