Tenaga Nasional Berhad

(5347 | TNB MK) MAIN | Utilities

SHARIAH Compliant

ESG 2 Stars

Corporate Update

Maintain BUY

Unchanged Target Price **RM16.40**

DCs to Continue Driving Electricity Demand

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 between +2.8% and +3.8%. 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 14.7x FY26F PER, lower than its five-year mean of 16.5x. The expected dividend yield also remains attractive at 3.9%.

Demand to remain stellar. Peak demand hit a record high of 21.05GW on 28th May at 8.30pm. The trend of peak demand for the grid has now shifted towards the evening as compared to the daytime in the past. Demand sales in 1HFY25 grew +0.4%yoy to 65,277GWh, led mainly by the growth in the commercial sector by +6.5%yoy to 24,277GWh. This was fueled by data centres, business services and retails consumption.

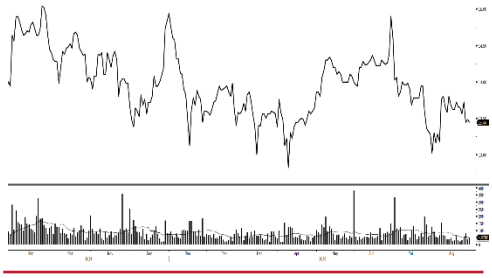
Data centre to drive demand. The growth of data centres (DCs) in Malaysia will continue to be a key driver for energy demand expansion. Load utilisation for DCs has tripled in Jun-25 to 603MW, with a total energy consumption of 1,852GWh in 1HFY25. Under Tenaga's Green Lane Pathway, three projects were completed in 2QFY25, adding an additional 740MW of capacity, bringing the total capacity to 3.5GW, involving 24 projects. In terms of Energy Supply Agreement (ESA), Tenaga has inked seven projects year-to-date, involving a capacity of 733MW. There is now a total of 47 projects secured, with a total capacity of 6.7GW.

Capex spends on track. The utilisation of the regulated capex as of 1HFY25 was RM5.2b. Among the key projects were the 500kV overhead line from Bentong South to Lenggeng, featuring 270 transmission towers and 99km in transmission length, which will serve as the backbone of the national grid. It achieved commercial operation date (COD) in Aug-25. Installation of smart meter has now reached a 38% progress with 136,890 units (FY25 target: 360,000 units). Meanwhile, the distribution automation penetration progress has reached 41% of 1,649 substations, out of the 4,026 targets for FY25. Management had previously guided that they expect to spend up to RM12b of regulated capex in 2025.

Submission for gas plant RFPs. Management revealed that they have submitted bids for six of their existing power plants under Category 1, which is for the extension of the concession period for gas-fired power plants with expiring or expired power purchase agreements (PPAs). Tenaga will also participate in the bidding for Category 2 for greenfield development.

RETURN STATISTICS	
Price @ 2nd Sept 2025 (RM)	13.24
Expected share price return (%)	+23.9
Expected dividend yield (%)	3.8
Expected total return (%)	+25.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.5	-3.2
3months	-7.9	-9.5
12 months	-9.1	-3.2

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	3.9%	3.9%	4.2%

KEY STATISTICS	
FBM KLCI	1,576.70
Issue shares (m)	5800.42
Estimated free float (%)	65.11
Market Capitalisation (RM'm)	76,828.09
52-wk price range	RM12.60 - RM15.20
3-mth average daily volume (m)	7.76
3-mth average daily value (RM'm)	107.69
Top Shareholders (%)	
Employees Provident Fund	18.92
Khazanah Nasional Bhd	18.14
Amanah Saham Nasional Bhd	12.27

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Ongoing tax dispute. Management said they have received favourable response from the Ministry of Finance subsequent to their resubmission for Investment Allowance under Schedule 7B and will continue to engage the ministry. In its latest results announcement, Tenaga flagged a potential tax exposure of RM10.02b, with a corresponding net cash outflow of RM3.80b after taking into account the amounts remitted to the Inland Revenue Board for 2006, 2008-2012, 2016, 2017, 2018, 2022 and 2023. Following advice from its tax and legal advisors on the matter, Tenaga said the amounts are expected to be recovered and no provisions are required at this juncture.

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