Tenaga Nasional Berhad

(5347 | TNB MK) MAIN | Utilities

SHARIAH Compliant

ESG 2 Stars

Corporate Update

Clearer Outlook Ahead

Maintain **BUY**

Unchanged Target Price **RM16.40**

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 and improves the group's cash flow by at least 2%. Electricity demand is also expected to be strong this year, with a projected growth of 2.8% to 3.8%. The long-standing tax issue that has weighed on Tenaga has also largely been lifted. The stock is currently trading at 14.9x FY26F PER, lower than its five-year mean of 16.5x. The expected dividend yield also remains attractive at 3.9%.

DCs to anchor structural demand growth. Electricity demand trends remain favourable, largely underpinned by the commercial sector which accounts for 37.3% of the 99,930GWh total units sold in 9MFY25. The commercial demand is largely led by three subsectors, namely malls, business and accommodation services (18% of total units sold), data centre (DC) (3%) and others (16%). As at 3QFY25, Tenaga has 29 DC projects in operation with a maximum demand of 3.8GW. Moving forward, the utility giant has cumulatively 49 DC projects secured, with a total maximum demand of 7.1GW. Management also clarified that DC demand will grow in a stepwise manner, allowing sufficient time for generation and grid planning. In Jun-25, the power demand from DCs was 603MW and this has since risen to 701MW and 850MW in Sep-25 and Oct-25 respectively.

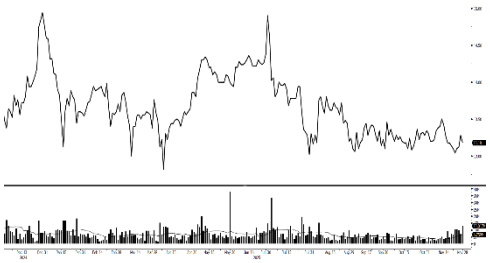
Capex spends on track. The utilisation of the regulated capex as of 9MFY25 was RM8.35b (+60.7%qoq), reflecting strong execution in grid reinforcement, DC-related upgrades, smart meter rollout, and energy transition infrastructure such as BESS. Management reiterated plans to spend up to RM12.0b of regulated capex in 2025 and another RM3.0b on the non-regulated business.

Closure to tax dispute. The most significant development was the government's approval of Investment Allowance (IA) under Schedule 7B. In short, Tenaga has already settled all tax assessments and the RM10.6b adjustment has been fully recognised at the balance sheet level, with no further impact expected to the income statement. The approved IA will be used to offset future taxable income, lowering the group's effective tax rate over time. This definitively removes the tax overhang that has weighed on sentiment.

Gas power plants extension. Tenaga was recently awarded the letter of notification (LON) for the extension of three of its gas power plants. These are the Gelugor Power Station (310MW), Putrajaya Power Station (249MW) and the Tuanku Jaafar Power Station (Unit 1) (703MW), covering a total of 1,262MW. Recall that Tenaga submitted bids for six of their existing power plants under Category 1, which is for the extension of the concession period

RETURN STATISTICS	
Price @ 1st Dec 2025 (RM)	13.32
Expected share price return (%)	+23.1
Expected dividend yield (%)	3.9
Expected total return (%)	+27.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.3	-0.7
3months	0.8	-2.2
12 months	-2.5	-4.3

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	3.9%	3.9%	4.2%

KEY STATISTICS	
FBM KLCI	1,624.57
Issue shares (m)	5800.42
Estimated free float (%)	66.22
Market Capitalisation (RM'm)	77,644.17
52-wk price range	RM12.6 - RM15.0
3-mth average daily volume (m)	5.18
3-mth average daily value (RM'm)	68.63
Top Shareholders (%)	
Khazanah Nasional Bhd	20.85
Amanah Saham Nasional Bhd	20.76
Employees Provident Fund	19.82

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for gas-fired power plants with expiring or expired power purchase agreements (PPAs) in the request for proposal (RFP) called by the Energy Commission (ST). PPAs for both the Gelugor and Putrajaya power stations have expired in Aug-24 and Aug-25 respectively while the expiry of the Tuanku Jaafar Power Station is in Aug-28. Management also participated in the RFP for Category 2, for the development of new gas power plants. Results may be announced before the end of CY25.

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)	20.2	24.1	18.2	15.8	14.7
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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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