Tenaga Nasional Berhad

(5347 | TNB MK) MAIN | Utilities

SHARIAH Compliant

ESG 2 Stars

Corporate Update

Maintain BUY

Unchanged Target Price **RM16.40**

4QFY25 Results Review: Below Expectations but Prospects Intact

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 moving forward, where we expect a growth of +5.4% in CY26. The long-standing tax issue that has weighed on Tenaga has also largely been lifted, which will lower the group's effective tax rate over time as what was seen in 4QFY25.

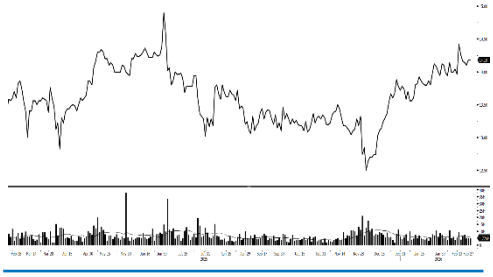
Below expectations. Tenaga Nasional Berhad posted core earnings of RM1.38b (+15.0%yoy) in 4QFY25, driven by higher electricity sales, with a +4.2%yoy growth in electricity demand, mainly attributable to the commercial sector. The effective tax rate was also lower during the quarter. For the cumulative 12MFY25, the core earnings grew +18.2%yoy to RM4.12b, which came in below our estimates at 85.1% but within consensus at 96.5%. The group announced a dividend of 28 sen per share, bringing the total FY25 dividend to 53 sen per share, translating to a payout ratio of 75.0% of its core earnings.

Key takeaways. Revenue for the quarter grew +22.4%yoy to RM17.60b, on the back of higher electricity sales but the quarter saw higher fuel costs of RM4.54b (+11.2%yoy) due to higher consumption from distillate. General expenses were also higher at RM3.95b (+27.3%yoy), due to higher computer expense for software and cyber-security maintenance. The Automatic Fuel Adjustment (AFA), implemented since Jul-25, was in an over-recovery position of RM920.2m, an impact of lower fuel costs. As for GenCo, it recorded a higher PAT of RM421.4m in 12MFY25 (2.4x) despite a slightly weaker revenue of RM23.79b (-1.3%), driven by stronger operational performance and higher other operating income from insurance recoveries. In terms of generation mix, FY25 saw an increase in coal generation to 58.8% from 56.7% a year ago while generation from gas declined to 33.6% from 36.4%. Solar and hydro generations saw a slight uptick to 2.3% (from 2.1%) and 4.9% (from 4.7%) respectively. The utilization of the regulated capex as of FY25 was RM12.04b, in line with management's guidance. This is a positive development as a higher regulated asset base (RAB) eventually strengthens Tenaga's returns moving forward.

Stronger electricity demand. Electricity demand grew +4.2%yoy to another new all-time high of 34.78 TWh, lifted mainly by stronger consumption in the commercial sector by +16.7%yoy to 13.94 TWh, with the main contributors being data centres, business services and retails. The industrial sector was the only sector that saw lower demand, declining -3.5%yoy to 9.91 TWh, mainly due to lower demand from the iron and steel businesses. The domestic sector recorded a growth in demand of +4.3%yoy to 9.02 TWh.

RETURN STATISTICS	
Price @ 26th Feb 2026 (RM)	14.18
Expected share price return (%)	+15.7
Expected dividend yield (%)	3.9
Expected total return (%)	+19.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.4	1.6
3months	3.4	0.9
12 months	4.4	-4.7

INVESTMENT STATISTICS

FYE Dec	2024A	2025F	2026F
Revenue	56,737	67,723	65,038
Operating Profit	8,720	8,532	10,854
Profit Before Tax	5,815	6,177	6,571
Core PATAMI	4,206	4,122	5,220
Core EPS	72.4	82.0	89.8
DPS	51.0	51.0	55.5
Dividend Yield	3.9%	3.9%	4.2%

KEY STATISTICS	
FBM KLCI	1,740.94
Issue shares (m)	5800.42
Estimated free float (%)	68.37
Market Capitalisation (RM'm)	82,657.24
52-wk price range	RM12.5 - RM14.9
3-mth average daily volume (m)	7.18
3-mth average daily value (RM'm)	96.92
Top Shareholders (%)	
Employees Provident Fund	19.84
Khazanah Nasional Bhd	18.14
Amanah Saham Nasional Bhd	11.56

Analyst

Royce Tan Seng Hooi
royce.tan@mbsb.com
03-2173 8461

Tenaga Nasional Berhad: 4QFY25 Results Summary

FYE Dec (RMm)	4Q24	3Q25	4Q25	YoY	QoQ	12MFY24	12MFY25	YTD
Revenue	14,378.3	17,249.7	17,599.7	22.4%	2.0%	56,737.1	67,723.1	19.4%
EBITDA	**5,723.7**	**4,818.3**	**5,429.5**	**-5.1%**	**12.7%**	**19,952.4**	**20,517.7**	**2.8%**
Depreciation	(2,882.0)	(3,006.9)	(3,147.5)	9.2%	4.7%	(11,232.3)	(11,985.6)	6.7%
Operating profit	2,841.7	1,811.4	2,282.0	-19.7%	26.0%	8,720.1	8,532.1	-2.2%
Net interest expense	(895.1)	(880.7)	(868.6)	-3.0%	-1.4%	(3,469.1)	(3,363.1)	-3.1%
Forex translation gain/(loss)	(553.8)	(0.0)	301.3	-154.4%	-753350.0%	492.2	651.5	32.4%
Associates/JVs	(193.3)	12.5	40.4	-120.9%	223.2%	107.5	87.8	-18.3%
FV change financial instr.	(6.1)	258.0	44.2			(11.1)	217.2	
Pretax profit	1,142.7	1,205.4	1,816.0	58.9%	50.7%	5,814.8	6,176.6	6.2%
Tax	(234.9)	(301.5)	(163.9)	-30.2%	-45.6%	(1,805.6)	(1,406.8)	-22.1%
Minority Interest	(46.7)	15.3	(23.0)	-50.7%	-250.3%	31.0	1.7	-94.5%
Reported net profit	642.3	876.9	1,675.1	160.8%	91.0%	3,978.2	4,769.8	19.9%
Core net profit	**1,196.1**	**878.9**	**1,375.1**	**15.0%**	**56.4%**	**3,486.0**	**4,121.8**	**18.2%**
EPS (sen)	11.0	15.1	28.8	160.8%	91.0%	68.4	82.0	19.9%
Core EPS (sen)	**20.5**	**15.1**	**23.6**	**15.0%**	**56.4%**	**59.8**	**70.7**	**18.2%**
DPS (sen)	25.00		28.00	-	-	51.00	53.00	3.9%
EBITDA margin	39.8%	27.9%	30.8%	*(9.0)*	*2.9*	35.2%	30.3%	
Operating profit margin	19.8%	10.5%	13.0%	*(6.8)*	*2.5*	15.4%	12.6%	
Pretax margin	7.9%	7.0%	10.3%	*2.4*	*3.3*	10.2%	9.1%	
Effective tax rate	-20.6%	-25.0%	-9.0%	-	-	-31.1%	-22.8%	
Core net profit margin	8.3%	5.1%	7.8%	*(0.5)*	*2.7*	6.1%	6.1%	
Payout ratio	121.8%		118.7%	-	-	85.3%	75.0%	

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	67,723.1	65,037.8
EBIT	9,409.5	7,356.9	8,720.1	8,532.1	10,853.8
PBT	5,348.6	3,373.6	5,814.8	6,176.6	6,571.2
Taxation	(1,791.2)	(770.0)	(1,085.2)	(1,406.8)	(1,511.4)
PAT	3,463.3	2,770.3	4,698.6	4,769.8	5,219.9
Core earnings	3,804.1	3,184.5	4,206.4	4,121.8	5,219.9
EPS (sen)	65.4	54.8	72.4	82.0	89.8
PER (x)	20.2	24.1	18.2	17.3	15.8
DPS (sen)	46.0	46.0	51.0	51.0	55.5
Dividend yield (%)	3.3%	3.3%	3.7%	3.6%	3.9%

Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
PBT	5,348.6	3,373.6	5,814.8	6,176.6	6,099.8
Depreciation	11,402.5	11,265.7	14,857.4	12,031.0	12,269.3
Change in NWC	(10,680)	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)	(11,171)	(12,000)	(13,000)
Investing cash flow	(14,553)	(5,782.1)	(11,032)	(11,861)	(12,861)
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)	(2,914.1)
Financing cash flow	3,595.8	(12,985)	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	12.6	16.7
PBT margin	10.5	6.4	10.2	9.1	10.1
PATAMI margin	6.8	5.2	8.3	7.0	8.0
Core PATAMI margin	7.5	6.0	6.2	6.1	8.0
ROE	6.2	5.2	6.8	6.5	8.0

Source: Bloomberg, MBSBR

MBSB RESEARCH (formerly known as MIDF RESEARCH) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) 197501002077 (24878-X).

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad.

The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report.

This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

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