Tenaga Nasional Berhad

(5347 | TNB MK) MAIN | Utilities

SHARIAH Compliant

ESG 2 Stars

Corporate Update

2QFY26 Results Review: Dragged by Higher Non-Fuel Costs

Maintain BUY. We maintain our **BUY** recommendation on Tenaga Nasional with a revised DCF-derived **TP** of **RM16.31**. 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. We continue to view TNB as a key beneficiary and enabler of Malaysia's energy transition, supported by rising regulated grid capex, growing BESS requirements and sizeable renewable energy opportunities through initiatives such as HHFS.

Below expectations. Tenaga Nasional Berhad posted core earnings of RM890.9m (-13.2%yoy) in 2QFY26, despite a stronger revenue of RM18.24b (+13.7%yoy). This is attributable to higher non-fuel cost, which came in +25.2%yoy higher at RM3.54b due to repair and maintenance, computer expenses and training. For the cumulative 6MFY26, core earnings came in at RM1.97b (+5.8%yoy), which is below expectations at 37.8% of ours and 40.6% of consensus' full year estimates.

Key takeaways. Fuel and power purchase cost rose +22.4%yoy during the quarter, resulting from higher fuel prices. Fuel costs grew +26.5%yoy, largely due to the surge in gas prices of +46.5%yoy though this remains largely shielded from the AFA, which was in an under-recovery position of RM514.9m. Meanwhile, the strong show by GenCo in 1QFY26 did not flow through into 2QFY26, with a PAT of RM76.8m, a decline of -77.0%qoq sequentially. We expect further clarity on this when management hosts its investor briefing later today. In terms of generation mix, 1HFY26 saw a decline in coal generation to 54.9% from 59.7% a year ago while generation from gas rose to 39.2% from 33.2%. Solar saw a slight uptick to 2.4% (from 2.3%) and while hydro declined to 2.7% (from 4.7%). The utiilisation of the regulated capex as of 1HFY26 was RM7.10b (+12.5%yoy), bringing the total regulated asset base (RAB) to RM78.45b. A higher regulated asset base (RAB) eventually strengthens Tenaga's returns moving forward.

Stronger electricity demand. Electricity demand is back on the uptrend again, rising to another record quarterly high of 36.62TWh (+8.4%yoy; +8.6%qoq), with stronger demand across all sectors. The commercial sector saw a +14.4%yoy growth to 14.35TWh, mainly led by data centres, retails and business services. The industrial sector grew at a marginal +1.8%yoy to 10.28TWh while the domestic sector grew +8.1%yoy to 10.32TWh. We expect stronger performances in the coming quarter underpinned by stellar electricity demand, as the yearly peak demand has hit another new high of 22.01GW on 6th Aug, 2026.

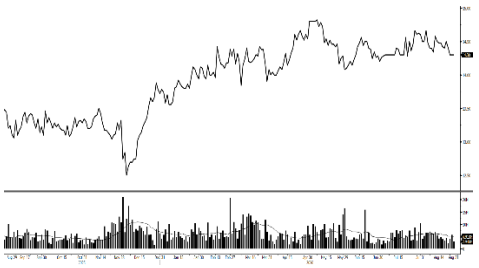
Earnings estimates and TP. We trim our earnings estimates for FY26E/FY27F/FY28F slightly by -6.8%/-8.9%/-9.5% due to higher fuel costs and non-fuel OPEX. Consequently, we are making a slight downward adjustment of our DCF-derived **TP** to **RM16.31**, from RM16.40 previously.

Maintain BUY

Revised Target Price **RM16.31**
(from RM16.40)

RETURN STATISTICS	
Price @ 27th Aug 2026 (RM)	14.30
Expected share price return (%)	+14.1
Expected dividend yield (%)	4.0
Expected total return (%)	+18.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.1	-2.7
3months	0.1	-1.5
12 months	6.1	-3.3

INVESTMENT STATISTICS FYE Dec	2026E	2027F	2028F
Revenue	65,039	68,780	72,153
Operating Profit	10,069	10,787	11,742
Profit Before Tax	6,270	6,795	7,547
Core PATAMI	4,863	5,222	5,783
Core EPS	89.2	90.2	91.2
DPS	55.5	56.5	57.5
Dividend Yield	3.9%	4.0%	4.0%

KEY STATISTICS	
FBM KLCI	1,741.72
Issue shares (m)	5824.39
Estimated free float (%)	70.13
Market Capitalisation (RM'm)	83,356.73
52-wk price range	RM12.5 - RM14.9
3-mth average daily volume (m)	5.45
3-mth average daily value (RM'm)	78.44
Top Shareholders (%)	
Employees Provident Fund	24.87
Khazanah Nasional Bhd	16.33
Amanah Saham Nasional Bhd	11.24

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

Tenaga Nasional Berhad: 2QFY26 Results Summary

FYE Dec (RM'm)	2Q25	1Q26	2Q26	YoY	QoQ	6MFY25	6MFY26	YTD
Revenue	16,038.7	17,103.7	18,236.0	13.7%	6.6%	32,873.7	35,339.7	7.5%
EBITDA	**5,187.0**	**5,521.8**	**5,256.6**	**1.3%**	**-4.8%**	**10,269.9**	**10,778.4**	5.0%
Depreciation	(2,865.3)	(3,069.7)	(3,169.7)	10.6%	3.3%	(5,831.2)	(6,239.4)	7.0%
Operating profit	2,321.7	2,452.1	2,086.9	-10.1%	-14.9%	4,438.7	4,539.0	2.3%
Net interest expense	(799.5)	(949.2)	(824.7)	3.2%	-13.1%	(1,613.8)	(1,774.6)	10.0%
Forex translation gain/(loss)	32.2	21.6	(2.1)	-106.5%	-109.7%	350.6	19.5	-94.4%
Associates/JVs	19.6	27.2	(0.1)	-100.5%	-100.4%	34.9	27.1	-22.3%
FV change financial instr.	(26.5)	3.8	12.0			(85.0)	15.8	-118.6%
Pretax profit	1,554.2	1,565.0	1,254.3	-19.3%	-19.9%	3,155.6	2,819.3	-10.7%
Tax	(513.4)	(478.1)	(348.0)	-32.2%	-27.2%	(941.4)	(826.1)	-12.2%
Minority Interest	(17.2)	(10.7)	17.5	-201.7%	-263.6%	(1.9)	6.8	-457.9%
Reported net profit	1,058.0	1,097.6	888.8	-16.0%	-19.0%	2,216.1	1,993.2	-10.1%
Core net profit	**1,025.8**	**1,076.0**	**890.9**	**-13.2%**	**-17.2%**	**1,866.3**	**1,973.7**	5.8%
EPS (sen)	18.2	18.9	15.3	-16.0%	-19.0%	38.1	34.3	-10.1%
Core EPS (sen)	**18.0**	**18.5**	**15.3**	**-15.3%**	**-17.2%**	**32.0**	**33.9**	5.8%
DPS (sen)	25.00		25.00	-	-			
EBITDA margin	32.3%	32.3%	28.8%	*(3.5)*	*(3.5)*	31.2%	30.5%	*(0.7)*
Operating profit margin	14.5%	14.3%	11.4%	*(3.0)*	*(2.9)*	13.5%	12.8%	*(0.7)*
Pretax margin	9.7%	9.2%	6.9%	*(2.8)*	*(2.3)*	9.6%	8.0%	*(1.6)*
Effective tax rate	-33.0%	-30.5%	-27.7%	-	-	-29.8%	-29.3%	
Core net profit margin	6.4%	6.3%	4.9%	*(1.5)*	*(1.4)*	5.7%	5.6%	*(0.1)*

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025F	2026E	2027F	2028F
Revenue	56,737.1	67,723.1	65,038.7	68,780.3	72,152.6
EBIT	8,720.1	8,532.1	10,069.2	10,787.1	11,741.9
PBT	5,814.8	6,176.6	6,270.1	6,795.0	7,547.0
Taxation	(1,085.2)	(1,406.8)	(1,567.5)	(1,732.7)	(1,924.5)
PAT	4,698.6	4,769.8	4,862.5	5,222.3	5,782.5
Core earnings	4,206.4	4,121.8	4,862.5	5,222.3	5,782.5
EPS (sen)	72.2	70.7	89.2	90.2	91.2
PER (x)	19.8	20.2	16.0	15.9	15.7
DPS (sen)	51.0	51.5	55.5	56.5	57.5
Dividend yield (%)	3.6	3.6	3.9	4.0	4.0

Cash Flow (RM'm)	2024A	2025F	2026E	2027F	2028F
PBT	5,814.8	6,176.6	6,270.1	6,795.0	7,547.0
Depreciation	11,232.3	12,324.3	13,000.0	13,646.9	13,856.7
Change in NWC	(1,995.7)	(1,947.8)	(7,274.7)	(839.4)	(745.8)
Operating cash flow	22,378.3	15,570.3	6,962.7	14,404.6	15,268.3
Capital expenditure	(11,184.2)	(12,000.0)	(18,000.0)	(12,820.0)	(15,000.0)
Investing cash flow	(11,337.4)	(13,192.4)	(18,000.0)	(12,820.0)	(15,000.0)
Debt raised/(repaid)	(4,363.6)	2,644.3	9,296.0	2,819.1	2,960.0
Dividends paid	(2,549.1)	(2,968.7)	(3,160.7)	(3,160.7)	(3,160.7)
Financing cash flow	(13,096.4)	(6,993.6)	(427.5)	(341.6)	(200.6)
Net cash flow	(2,055.5)	(4,615.7)	(11,464.8)	1,243.1	67.7
Beginning cash flow	17,225.2	15,169.7	10,554.0	(909.8)	335.3
Ending cash flow	15,169.7	10,554.0	(909.8)	335.3	406.0

Balance Sheet (RM'm)	2024A	2025F	2026E	2027F	2028F
PPE	121,837	124,998	133,624	136,422	141,190
ROU assets	39,021	39,021	39,021	39,021	39,021
Non-current assets	160,858	164,019	172,644	175,443	180,211
Trade receivables	15,051	17,340	17,819	18,844	19,768
Cash & bank balances	18,949	14,333	2,869	4,112	4,179
Current assets	40,208	38,004	27,928	30,402	31,578
Long-term debt	51,131	47,134	56,382	59,201	62,161
Non-current liabilities	104,792	100,795	110,042	112,862	115,822
Short-term debt	6,276	11,952	12,000	12,000	12,000
Trade payables	12,439	12,903	7,017	7,408	7,771
Current liabilities	31,092	37,232	31,395	31,785	32,148
Share capital	12,038	12,038	12,038	12,038	12,038
Reserves	48,253	49,406	51,108	52,936	54,960
Equity	62,740	63,893	65,595	67,423	69,447

Profitability Ratios (%)	2024A	2025F	2026E	2027F	2028F
EBIT margin	15.4	12.6	15.5	15.7	16.3
PBT margin	10.2	9.1	9.6	9.9	10.5
PATAMI margin	8.3	6.1	7.5	7.6	8.0
Core PATAMI margin	7.4	6.1	7.5	7.6	8.0
ROE	6.7	6.5	7.4	7.7	8.3

Source: Bloomberg, MBSBR

MBSB RESEARCH is part of MBSB 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 (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: 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