Tenaga Nasional Berhad

(5347 | TNB MK) MAIN | Utilities

SHARIAH Compliant

ESG 2 Stars

Corporate Update

CAPEX to Accelerate in 2H26

Maintain **BUY**

Unchanged Target Price **RM16.31**

Maintain BUY. We maintain our **BUY** recommendation on Tenaga Nasional with an unchanged DCF-derived **TP** of **RM16.31**. We came away equally positive on the group's prospects following the post-results briefing, as supported by management's upward revision in electricity demand growth to 5-6%. 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.

DC becoming a growth driver. Actual load from operational facilities reached 1.26GW in Jun-26, (2.1x yoy) while electricity consumption also grew 2.1x yoy to 4.0TWh in 1HFY26. TNB's secured pipeline now stands at 61 projects representing 8.35GW of maximum demand, of which 42 projects totaling 5.65GW have already been connected. Despite the rapid growth, data centres still account for only 6% of total electricity sales, which will see headroom for further contribution as committed capacity progressively ramps up. We believe the sustained build-out of data-centre capacity, particularly in Johor, should continue to underpin electricity demand growth while supporting a higher level of grid and contingent capex over the medium term.

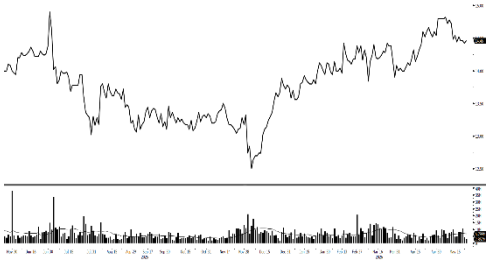
CAPEX to accelerate in 2H26. For the period 1H26, TNB's total capex amounted to approximately RM7.1b, out of which regulated capex was RM5.6b. While this remains less than half of the group's capex forecast of RM18b this year (RM13b regulated, RM5b non-regulated), management reaffirmed that execution will accelerate materially in 2H26, especially with higher progress billings when physical works of infrastructure projects ramps up.

GenCo's performance remains intact. Despite a weaker sequential performance by GenCo, management guided that 2H26 will come in stronger. Net energy generated improved +10%yoy during the quarter. In 2QFY26, GenCo's PAT declined -77.0%qoq to RM76.8m. While there were no major exceptional one-offs, there were several costs associated with normal operations such as demolition works at certain generation facilities, combustion-inspection and maintenance exercises, including provisions associated with regulatory charges imposed by state authorities.

Non-fuel opex should moderate in 2H26. Costs in 2QFY26 were elevated by higher repair and maintenance, staffing, software licences, training and the annual performance cycle. Management expects these costs to moderate in 2HFY26, although the structural cost base will remain higher as TNB expands staffing ahead of a much larger capex and generation

RETURN STATISTICS	
Price @ 28th Aug 2026 (RM)	14.14
Expected share price return (%)	+15.3
Expected dividend yield (%)	3.9
Expected total return (%)	+19.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.5	-3.6
3months	-1.0	-3.2
12 months	5.2	-4.0

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	1,725.88
Issued shares (m)	5824.39
Estimated free float (%)	70.13
Market Capitalisation (RM'm)	82,424.07
52-wk price range	RM12.5 - RM14.9
3-mth average daily volume (m)	5.34
3-mth average daily value (RM'm)	76.88
Top Shareholders (%)	
Employees Provident Fund Board	24.87
Khazanah Nasional Bhd	16.33
Amanah Saham Nasional Bhd	11.24

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pipeline. And as new assets are capitalised, these will begin generating repair and maintenance expenses. TNB is therefore moving towards preventive, predictive and risk-based maintenance to offset the rising cost associated with a larger asset base.

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	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	2025A	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)	(12,000)	(18,000)	(12,820)	(15,000)
Investing cash flow	(11,337)	(13,192)	(18,000)	(12,820)	(15,000)
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)	(6,993.6)	(427.5)	(341.6)	(200.6)
Net cash flow	(2,055.5)	(4,615.7)	(11,465)	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	2025A	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	2025A	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

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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