

29 January 2026

Utilities | Power

Tenaga Nasional (TNB MK)

Buy (Maintained)

Reducing Tax Rate, Increasing Capex; Maintain BUY

Target Price (Return): MYR16.50 (17.2%)
 Price (Market Cap): MYR14.10 (USD20,935m)
 ESG score: 2.8 (out of 4)
 Avg Daily Turnover (MYR/USD) 85.4m/20.9m

- **Maintain BUY on this sector Top Pick, new MYR16.50 TP from MYR15.60, 17% upside with c.4% FY26F yield.** We lift Tenaga Nasional's FY25F-27F earnings higher by 6% pa as we reduce the effective tax rate (ETR) to 26% vs 30% earlier) on tax credit recognition. We also expect contingency capex to accelerate in FY26-27 on the Government's approval of a revenue recovery mechanism.
- **Expecting lower tax rate.** Management is expecting ETR to reduce to 26-27% in FY25-27, as the Government has given the green light for TNB to recognise reinvestment allowance (RIA) for past qualifying capex. We expect the group to begin recognising these tax credits in 4Q25, which should reduce FY25 ETR by 4ppts to 26%. We have factored this into our numbers.
- **Accelerating contingency capex in FY26-27.** TNB is on track to achieve MYR12bn regulated capex in FY25, with contingency capex making up MYR1.5bn (13% of total). For the 9M25 period, the group had achieved 75% of the capex target. Given the approval of the recovery mechanism, management intends to accelerate contingency capex utilisation to MYR4bn pa. As such, TNB is still hopeful of achieving two-thirds of Regulatory Period 4 (RP4) capex approvals, which should provide 7% uplift from our FY26 EPS/TP (Figure 2).
- **No slowdown in data centre (DC) demand.** TNB continues to receive interest from DCs to procure energy supply. As such, management is targeting to sign 1GW energy supply agreements (ESAs) annually until 2030 - with concentration in Johor and Cyberjaya. As at end Sep 2025, TNB had secured 7.1GW supply to DCs, with 10% load utilisation. Separately, management also expects the Energy Commission to announce the winners for the CAT2 new gas plant tender soon, as it would take 3-4 years to build a plant for commissioning in 2030. Scenario test: Assuming TNB wins a bid to build a new 2,800MW gas plant (MYR9.8bn capex, 70% debt funding, WACC: 8.2%), we estimate a 12% project IRR and MYR1.66 (10%) accretion to our TP.
- **4Q25 net profit outlook, valuation and risks.** TNB will announce 4Q25 results on 26 Feb, with the briefing to be held the next day. We forecast MYR1.3bn net profit in 4Q25 (+81% YoY, +30% QoQ), as we expect ETR to reduce to 17% due to the recognition of tax allowances. Our new MYR16.50 TP (inclusive of a 4% ESG discount given the 2.8 score) is pegged at 19x FY26F P/E, which is at +1SD deviation to the 3-year mean. We believe the premium is justified, as TNB is the prime beneficiary of the National Energy Transition Roadmap (NETR), with the regulated framework providing stable earnings base. Key downside risks: i) Carbon tax implementation, ii) delayed capex approvals, and iii) higher ETR.

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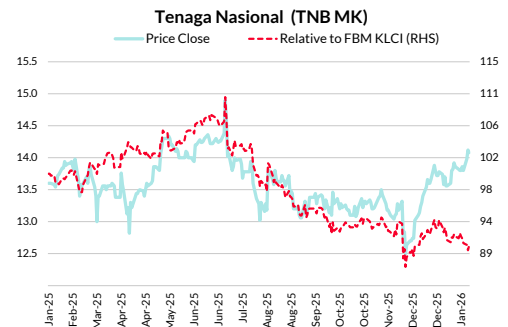


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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	2.6	3.1	6.5	5.4	3.5
Relative	(1.9)	(1.6)	(2.4)	(9.4)	(9.6)
52-wk Price low/high (MYR)	12.5 - 14.9				



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	53,067	56,737	69,175	72,794	76,654
Recurring net profit (MYRm)	3,138	3,802	4,575	5,165	5,398
Recurring net profit growth (%)	(19.5)	21.1	20.3	12.9	4.5
Recurring P/E (x)	25.32	20.90	17.37	15.38	15.21
P/B (x)	1.6	1.6	1.5	1.5	1.5
P/CF (x)	2.47	3.54	4.73	4.29	4.21
Dividend Yield (%)	3.3	3.8	3.5	3.9	3.9
EV/EBITDA (x)	6.47	5.89	5.63	5.31	5.29
Return on average equity (%)	5.2	9.5	9.0	9.8	9.9
Net debt to equity (%)	79.0	71.8	73.3	73.9	74.0

Source: Company data, RHB

Overall ESG Score: 2.8 (out of 4)

E Score: 2.2 (GOOD)

S Score: 3.3 (EXCELLENT)

G Score: 3.3 (EXCELLENT)

Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
In FY24, TNB's total greenhouse gas (GHG) emissions decreased by 0.5% to 39.2m tCO2e.	Scope 1	38,580,000	38,920,000	38,750,000	na
	Scope 2	292,000	331,000	321,000	na
	Scope 3	na	100,000	98,000	na
	Total emissions	38,872,000	39,351,000	39,169,000	na

Source: Company data, RHB

Latest ESG-Related Developments

TNB is reducing its coal capacity through ongoing initiatives under the Future Generation Sources strategy, and is on track to achieve its target of decreasing coal capacity by 50% by 2035 and 100% by 2050, compared to the baseline year of 2021.

TNB is spearheading at least 3GW worth of renewable energy (RE) projects (500MW solar parks and 2.5GW hybrid hydro floating solar projects) from the NETR. It has also signed an MoU with Siemens Energy to accelerate the decarbonisation of its thermal power plants by leveraging green hydrogen generated from RE resources.

ESG Unbundled

Overall ESG Score: 2.8 (out of 4)

Last Updated: 12 January 2026

E Score: 2.2 (GOOD)

TNB's thermal power plants primarily use coal or fossil fuels to generate power, but the group aims to be completely coal-free by 2050, with an interim target of a 35% reduction in emissions intensity by 2035. In FY24, total GHG emissions decreased by 0.5% to 39.2m tCO2e. Last year, its RE portfolio rose 7% to 4.6GW, making up 22% of total capacity. TNB will add another 8.8GW by 2030, which will further reduce GHG emissions by 9m tCO2e.

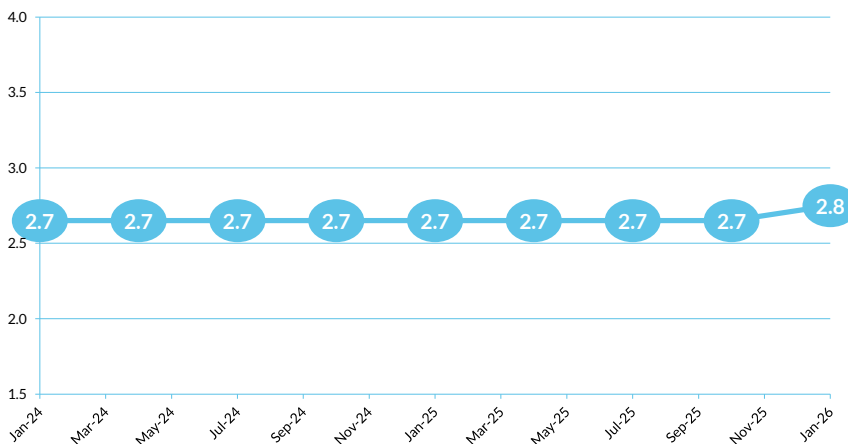
S Score: 3.3 (EXCELLENT)

Policies on employee relations, health & safety, and community engagement are robust. It has health and safety policies and processes in place, and seeks to maintain a good safety record. However, its lost time incident rate increased to 0.87 in 2024 (2022: 0.74) and recorded four fatalities, hence the lower score for this pillar. TNB's community engagement focuses on outreach programmes that focus on the availability of electricity to those in need.

G Score: 3.3 (EXCELLENT)

Board characteristics are within Bursa Malaysia requirements, with 50% comprising independent directors. Women comprise 33% of the board. TNB ensures timely, reliable and accurate information is provided, and within regulatory and market guidelines. Shareholder rights are protected, as the group ensures shareholders are able to participate and contribute to the general meeting.

ESG Rating History



Source: RHB

Financial Exhibits

Asia	Financial summary (MYR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Malaysia	Recurring EPS	0.56	0.67	0.81	0.92	0.93
Utilities	DPS	0.46	0.54	0.49	0.55	0.56
Tenaga Nasional	BVPS	8.68	8.83	9.15	9.52	9.58
TNB MK	Return on average equity (%)	5.2	9.5	9.0	9.8	9.9
Buy						
	Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Valuation basis	Recurring P/E (x)	25.32	20.90	17.37	15.38	15.21
P/E based TP	P/B (x)	1.6	1.6	1.5	1.5	1.5
	FCF Yield (%)	27.2	14.1	4.8	6.4	7.2
	Dividend Yield (%)	3.3	3.8	3.5	3.9	3.9
Key drivers	EV/EBITDA (x)	6.47	5.89	5.63	5.31	5.29
i. Recognition of contingency capex;	EV/EBIT (x)	16.38	13.48	12.62	11.13	10.75
ii. Higher reinvestment allowance reducing effective tax rate.						
	Income statement (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Key risks	Total turnover	53,067	56,737	69,175	72,794	76,654
i. Carbon tax implementation;	Gross profit	26,639	29,488	26,380	28,332	30,010
ii. Delayed capex approvals;	EBITDA	18,623	19,953	21,280	22,932	23,854
iii. Higher effective tax rate or ETR.	Depreciation and amortisation	(11,266)	(11,232)	(11,788)	(11,989)	(12,120)
	Operating profit	7,357	8,720	9,491	10,943	11,734
	Net interest	(3,836)	(3,480)	(3,254)	(3,897)	(4,371)
Company Profile	Pre-tax profit	3,374	5,815	6,297	7,118	7,438
TNB is Malaysia's national power company. It generates, transmits and distributes electricity in West Malaysia and Sabah, accounting for 65% of the country's generating capacity. It also operates 27,000km of transmission lines with MYR180m worth of assets.	Taxation	(770)	(1,085)	(1,622)	(1,832)	(1,914)
	Reported net profit	2,770	4,699	4,575	5,165	5,398
	Recurring net profit	3,138	3,802	4,575	5,165	5,398
	Cash flow (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Change in working capital	14,273	1,150	(2,860)	(2,564)	(2,459)
	Cash flow from operations	32,219	22,447	16,799	18,536	19,481
	Capex	(10,571)	(11,264)	(13,000)	(13,477)	(13,577)
	Cash flow from investing activities	(5,782)	(11,595)	(12,322)	(12,799)	(12,847)
	Dividends paid	(2,538)	(3,074)	(2,745)	(3,099)	(3,239)
	Cash flow from financing activities	(12,985)	(12,752)	(1,477)	(2,283)	(2,909)
	Cash at beginning of period	4,893	19,391	19,601	22,600	26,054
	Net change in cash	13,452	(1,900)	2,999	3,454	3,725
	Ending balance cash	18,345	17,491	22,600	26,054	29,779
	Balance sheet (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Total cash and equivalents	21,005	20,047	23,046	26,500	30,225
	Tangible fixed assets	121,932	125,611	126,823	128,310	129,767
	Total investments	1,667	1,488	1,548	1,620	1,695
	Total assets	200,124	200,380	208,293	215,185	222,339
	Short-term debt	7,031	6,276	6,276	6,276	6,276
	Total long-term debt	54,440	51,131	56,331	61,722	67,153
	Total liabilities	148,879	148,369	154,351	159,056	163,925
	Total equity	51,245	52,011	53,941	56,129	58,414
	Total liabilities & equity	200,124	200,380	208,293	215,185	222,339
	Key metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Revenue growth (%)	4.3	6.9	21.9	5.2	5.3
	Recurrent EPS growth (%)	(19.5)	21.1	20.3	12.9	1.2
	Gross margin (%)	50.2	52.0	38.1	38.9	39.2
	Operating EBITDA margin (%)	35.1	35.2	30.8	31.5	31.1
	Net profit margin (%)	5.2	8.3	6.6	7.1	7.0
	Dividend payout ratio (%)	93.7	65.0	60.0	60.0	60.0
	Capex/sales (%)	19.9	19.9	18.8	18.5	17.7
	Interest cover (x)	1.68	2.12	2.41	2.39	2.30

Source: Company data, RHB

Figure 1: Sensitivity test – every 2ppts ETR reduction will improve FY26 EPS/FV by 2.7%

FY26	+4ppts	+2ppts	Base case	-2ppts	-4ppts	-6ppts
Tax rate assumption (%)	30%	28%	26%	24%	22%	20%
NP (MYRm)	4883	5024	5,165	5306	5447	5588
Difference (MYRm)	-282	-141		141	282	423
chg %	-5%	-3%		3%	5%	8%
FV (MYR)	15.60	16.05	16.50	16.95	17.40	17.85
chg %	-5.5%	-2.7%		2.7%	5.5%	8.2%

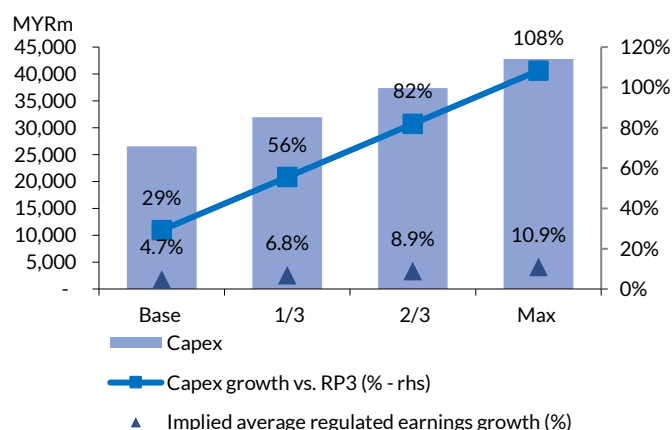
Source: Company data, RHB

Figure 2: Sensitivity test – assuming 2/3 approval for contingency capex, we estimate a 7% upside to FY26 EPS

MYRm	Base	Contingency capex utilisation			chg % (vs. base)		
		1/3	2/3	Max	1/3	2/3	Max
Capex	26,554	31,976	37,399	42,821	20%	41%	61%
RAB at end-RP4	78,993	83,884	88,776	93,666	6%	12%	19%
Capex growth vs RP3 (%)	29%	56%	82%	108%			
Implied average demand growth (%)	4.9%	5.4%	5.8%	6.2%			
Implied average regulated earnings growth (%)	4.7%	6.8%	8.9%	10.9%			
FY26 earnings	5,165	5,350	5,534	5,719	4%	7%	11%
FY27 earnings	5,398	5,755	6,112	6,469	7%	13%	20%
FV (MYR) - based on 19x FY26 P/E	16.50	17.09	17.68	18.27	4%	7%	11%
FV (MYR) - based on 19x FY27 P/E		18.39	19.53	20.67	11%	18%	25%

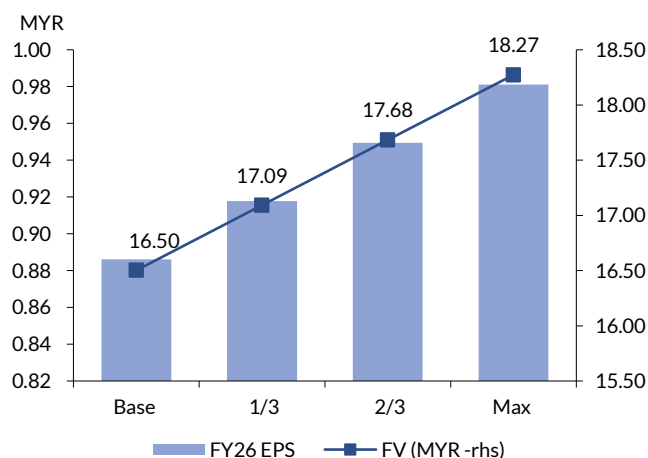
Source: RHB

Figure 3: Maximum approval of MYR42bn capex implies 10.9% average regulated earnings growth



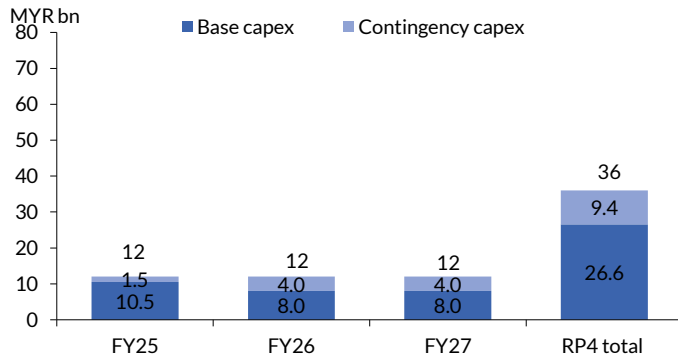
Source: Company data, RHB

Figure 4: Maximum approval of contingency capex results in FY26 EPS/FV growing 11%



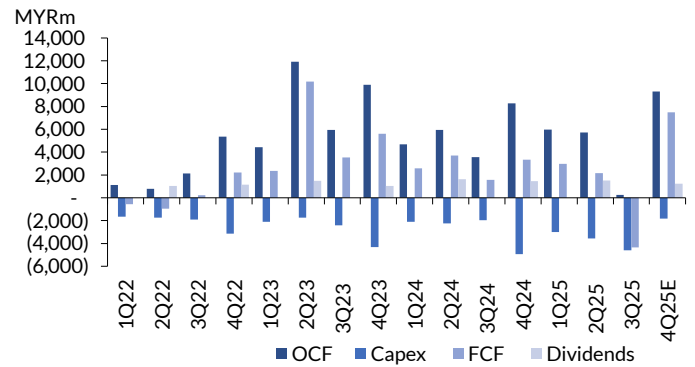
Source: Company data, RHB

Figure 5: Management is targeting MYR12bn regulated capex pa - translating to total MYR36bn capex for RP4



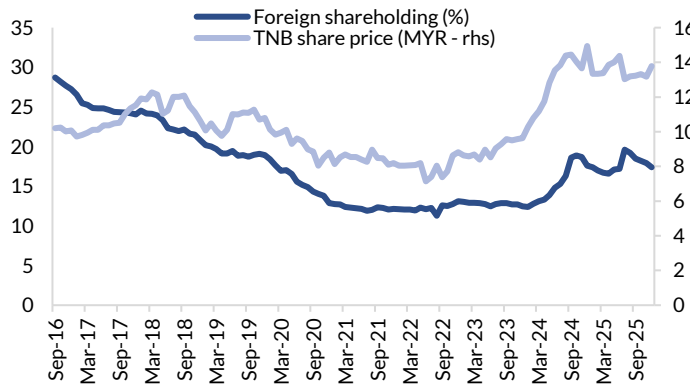
Source: Company data, RHB

Figure 6: TNB reported negative FCF in 3Q25 due to a one-off tax payment to the Inland Revenue Board - we expect positive FCF in 4Q25



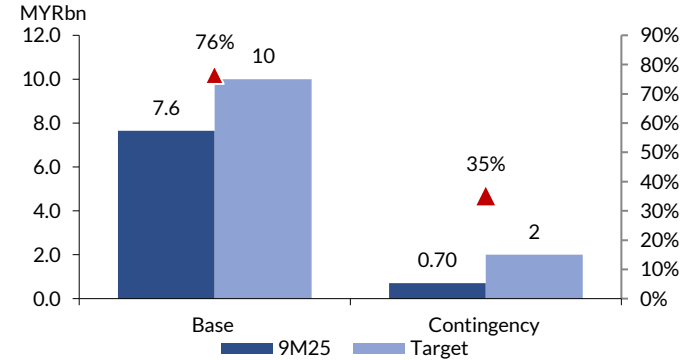
Source: Company data, RHB

Figure 7: Foreign shareholding has fallen from a 6-year high of 19% since the Federal Court's ruling on tax claims in Jul 2025



Source: Company data, RHB

Figure 8: As at end Sep 2025, TNB had spent 75% of target base capex for FY25



Source: Company data, RHB

Figure 9: Changes in RHB estimates

MYRm	Old			New			% Variation		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
Revenue	69,175	72,794	76,654	69,175	72,794	76,654	0%	0%	0%
EBITDA	21,280	22,932	23,854	21,280	22,932	23,854	0%	0%	0%
Recurring net profit	4,324	4,881	5,099	4,575	5,165	5,398	6%	6%	6%
EPS (sen)	77	86	87	81	92	93	6%	6%	6%
DPS (sen)	46	52	52	49	55	56	6%	6%	6%

Source: Company data, RHB

Figure 10: Bloomberg consensus vs RHB estimates

MYRm	Bloomberg consensus			RHB estimates			% Variation		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
Revenue	64,444	67,648	71,740	69,175	72,794	76,654	7%	8%	7%
EBITDA	19,981	21,567	22,970	21,280	22,932	23,854	7%	6%	4%
Recurring net profit	4,286	4,796	5,087	4,575	5,165	5,398	7%	8%	6%
EPS (sen)	74	83	87	81	92	93	7%	8%	6%
DPS (sen)	46	51	54	49	55	56	2%	4%	3%

Source: Company data, RHB

Changes in estimates

Changes to estimates. We have increased our FY25-27 earnings forecasts by 6% per year as we reduced ETR by 4ppts to 26%. Our estimates for this period are 6-8% higher than Bloomberg consensus.

Expecting 17% ETR in 4Q25. We forecast FY25 earnings of MYR4.6bn, which implies a 4Q25 net profit of MYR1.3bn (+81% YoY, +30% QoQ). Overall, we expect ETR to reduce to 17% in 3Q25 due to the recognition of tax allowances, which should bring the full-year ETR to 26%. Management will announce TNB's results on 26 Feb, with the briefing to be held the following day. Key guidance from management include: i) ETR assumptions, ii) capex guidance, and iii) expectations for gas plant tender announcements.

Valuation & recommendation

Keep BUY, new MYR16.50 TP from MYR15.60, 17% upside, 4% yield. We maintain our BUY recommendation with a higher TP of MYR16.50 (+6% from MYR15.60 previously) as we reduce our ETR assumptions for FY25-27. Our TP is pegged at 19x FY26 P/E, which is at +1SD deviation to TNB's 3-year mean. We believe the premium is justified as TNB is the prime beneficiary of NETR, which will drive new generation and grid investments until 2050.

We expect DCs to drive 4.7% average electricity demand growth until 2030 vs 1.6% in 2010-2023. RP4 will provide stable regulated earnings in FY26-27, and we see upside from: i) Contingency capex approvals, ii) lower ETR from RIA approvals, and iii) new gas plant extensions.

We apply a 4% ESG discount to reflect improving RE portfolio (+7% YoY to 4.6GW currently with another 8.8GW in the pipeline), which could further reduce CO2 emissions by 23%. Our TP implies FY26 target EV/EBITDA of 7.4x – close to +1SD. Share price is still at a 4% discount to the recent high when the [Federal Court's ruling on additional tax assessment](#) from the Inland Revenue Board (IRB) in Jul 2025. We believe this is a good time to accumulate TNB shares given the removal of the IRB tax dispute overhang.

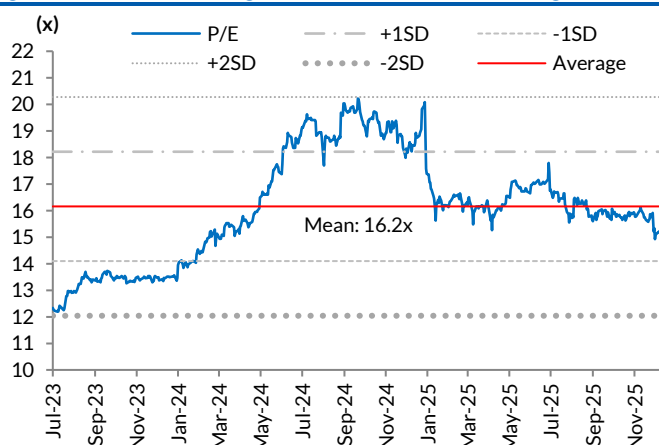
Key downside risks: The implementation of carbon tax is a risk to TNB's earnings. Assuming MYR10 per tonne of CO2 carbon tax on Scope 1 emission, we estimate an 8% impact to the group's FY26-27 EPS. Other key risks include: i) Delays in contingency capex approvals and ii) higher-than-expected ETR.

Figure 11: P/E valuation

FY26 recurring net profit (MYRm)	5,165
PE multiple (x)	19.4
Total value (MYRm)	100,201
Outstanding shares (m)	5,829
Value per share (MYR)	17.19
ESG discount (%)	4%
TP (MYR)	16.50

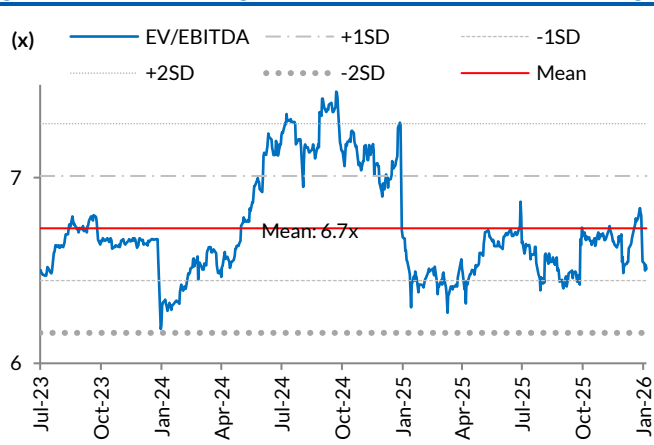
Source: RHB

Figure 12: TNB is trading below the 3-year P/E average



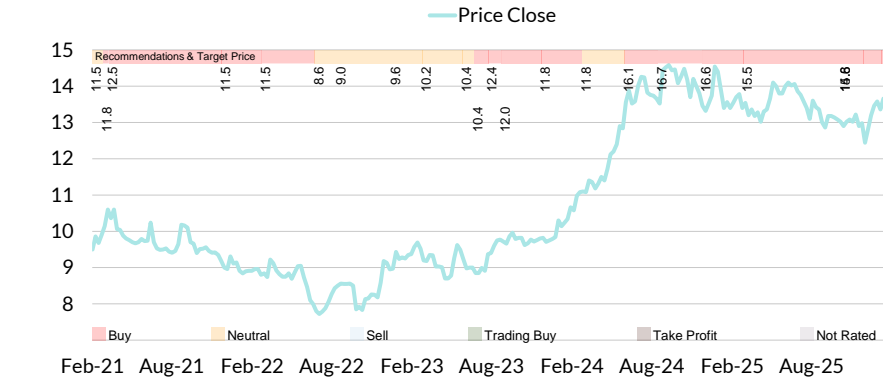
Source: Bloomberg, RHB

Figure 13: TNB is trading below the 3-year EV/EBITDA average



Source: Bloomberg, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2026-01-11	Buy	15.6	13.6
2025-12-01	Buy	14.8	13.3
2025-05-28	Buy	15.5	14.1
2025-03-03	Buy	15.5	13.7
2024-11-29	Buy	16.6	13.7
2024-08-29	Buy	16.7	13.9
2024-08-19	Buy	16.7	13.9
2024-06-03	Buy	16.1	13.0
2024-02-28	Neutral	11.8	11.0
2023-11-27	Buy	11.8	9.8
2023-08-27	Buy	12.0	10.0
2023-07-28	Buy	12.4	9.6
2023-06-25	Buy	10.4	9.2
2023-05-30	Neutral	10.4	9.6
2023-02-28	Neutral	10.2	9.4

Source: RHB, Bloomberg

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Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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