Malaysia Sector Update

12 January 2026

Utilities | Utilities

Energy

Staying Powered Up In 2026

Overweight (Maintained)

Stocks Covered	9
Rating (Buy/Neutral/Sell):	8 / 1 / 0
Last 12m Earnings Revision Trend:	Negative

Top Picks	Target Price
Tenaga Nasional (TNB MK) – BUY	MYR15.60
YTL Power (YTLP MK) – BUY	MYR4.77
Solarvest (SOLAR MK) – BUY	MYR3.49
Samaiden (SAMAIDEN MK) – BUY	MYR1.63

- **Still OVERWEIGHT; Top Picks: Tenaga Nasional (TNB), YTL Power (YTLP), Solarvest (SOLAR), and Samaiden.** We anticipate 2026 to be another exciting year for the energy sector, as the Corporate Renewable Energy Supply Scheme (CRESS), Large-Scale Solar 6 (LSS6), Solar Accelerated Transition Action Programme (ATAP) and gas-powered plant extensions should drive news flow on renewable energy (RE). This report marks the transfer of coverage on the sector to Max Koh.
- **Lower access charges to drive CRESS projects.** Last September, the Government lowered system access charges (SAC) by 11-20% for CRESS. Introduced in Jul 2024, CRESS is a third-party access model that allows offtakers to purchase electricity directly from a RE developer. The lower SAC makes CRESS projects more viable as: i) Offtakers will be able to pay a fixed energy cost over 21 years with no exposure to rising grid prices; and ii) green energy is 100% guaranteed. Assuming CRESS rates of 62 sen (5% higher than current grid prices), we estimate CRESS projects with battery storage to generate IRR of 9-12%. With the SAC rate finalised, we expect more CRESS project announcements this year.
- **More gas plants extensions?** In Nov 2025, TNB won the bid to extend 1.3GW in power supply for three gas-fired plants. We expect the three plants to begin commercialisation in mid-2026 until 2030. Given the expected 4-5GW demand shortfall until 2030, we do not discount the possibility of the Government extending tenures of more gas plants in 1H26. We estimate 4.3GW of existing gas plants that could be extended – resulting in potential 4% and 8% EPS upsides for TNB and Malakoff if their remaining capacity is renewed.
- **6-7GW of new gas-fired plant winners soon.** We also expect the Government to announce the winners of the 6-8GW new gas-fired plant tender in 1Q26. Given their track records, TNB, YTLP and Malakoff are frontrunners of the bids. 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 12% project IRR and a MYR1.66 (+11%) accretion on our TP.
- **LSS6 and SOLAR ATAP opportunities.** We also expect 2GW of LSS6 tenders to be announced in 1H26, which presents up to MYR10bn of EPCC opportunities for solar contractors. The recently unveiled Solar ATAP programme is also positive to drive orderbook replenishment for the likes of Solarvest and Samaiden.
- **Top Picks: TNB, YTLP, Solarvest and Samaiden.** We like TNB, as its stable regulated earnings support a 4% yield, with upside from a lower tax rate and contingency capex approvals. Solarvest and Samaiden are beneficiaries of more solar projects being rolled out, and we expect maiden contributions from YTLP's 10MW artificial intelligence data centre project to mitigate its weaker PowerSeraya earnings.

Company Name	Rating	Target (MYR)	% Upside (Downside)	P/E (x) Dec-26F	P/B (x) Dec-26F	ROAE (%) Dec-26F	Yield (%) Dec-26F
BM Greentech	Buy	2.14	44.3	14.7	1.2	8.5	1.9
Malakoff Corp	Buy	1.00	20.2	18.3	0.9	5.0	4.4
Petronas Gas	Neutral	18.90	3.8	19.0	2.5	13.2	4.5
Ranhill Utilities	Buy	2.60	49.2	20.8	2.8	13.4	0.9
Samaiden Group	Buy	1.63	15.8	22.7	3.8	18.3	0.7
Solarvest	Buy	3.49	11.5	32.2	3.3	11.7	-
Taliworks Corporation	Buy	1.01	103.5	10.8	1.4	12.6	9.1
Tenaga Nasional	Buy	15.60	15.0	15.7	1.4	9.3	3.8
YTL Power	Buy	4.77	42.8	11.9	1.3	11.8	2.1

Source: Company data, RHB

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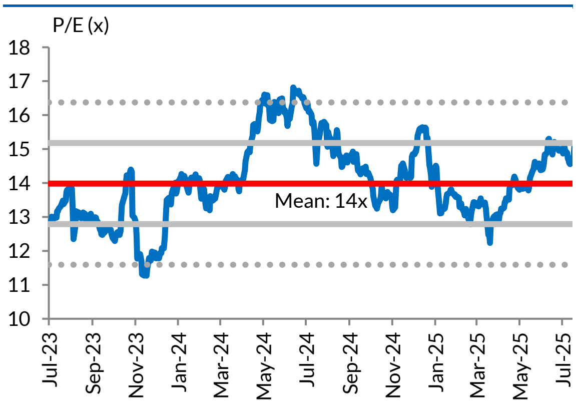
KLUTL index is trading at +1SD forward P/E



Source: Bloomberg, RHB

Time for CRESS to take off

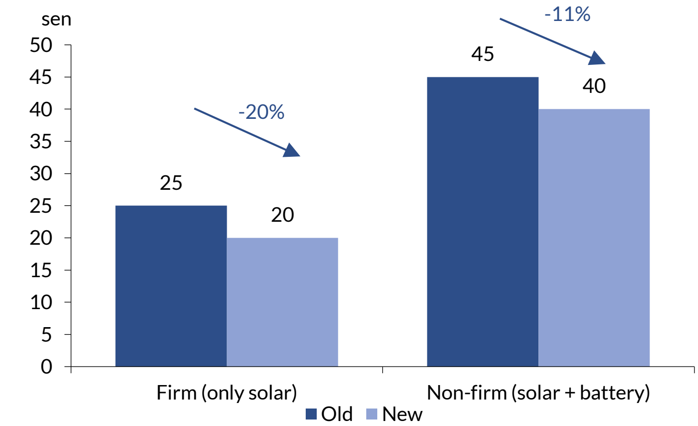
Lower access fees make CRESS more viable. In Sep 2025, the Government lowered the SAC by 11-20% for CRESS, a third-party access model (introduced in Jul 2024) that allows offtakers to purchase electricity directly from a RE developer on a willing-buyer-willing-seller basis. At the same time, the offtakers will pay SAC to TNB to utilise the grid. The CRESS is an important development for the energy sector, as it provides an alternative for offtakers to purchase power aside from the grid.

Potential 8-12% project IRR for CRESS. We view the lower SAC positively, as it should make CRESS projects more viable for offtakers, as players were initially concerned about the high system charges reducing returns. We believe CRESS will be more attractive as:

1. Offtakers pay a fixed energy cost in long-term power purchase agreements, with no exposure to rising grid prices;
2. 100% RE is guaranteed.

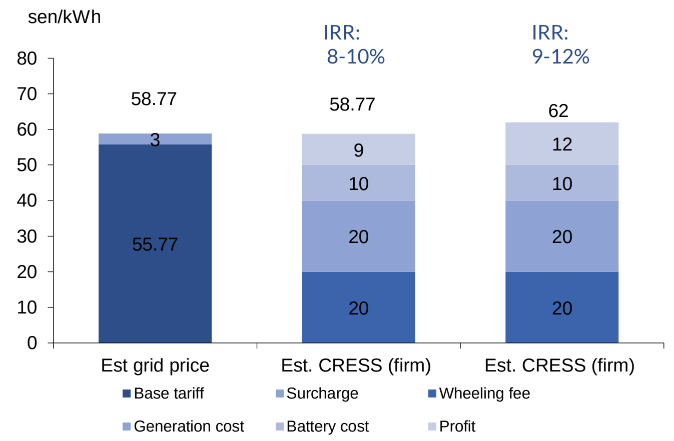
Assuming CRESS rates of 62 sen (5% higher than current grid prices), we estimate 9-12% IRR for CRESS projects with battery storage. At parity to the grid price of 58.77 sen, we estimate a potential 8-10% IRR.

Figure 1: CRESS' system access charges were reduced by 5sen



Source: Energy Commission, RHB

Figure 2: We estimate 9-12% IRR for CRESS solar projects, at a 5% premium to grid prices



Source: Energy Commission, RHB

More CRESS project announcements in 2026. In Jun 2025, TNB announced that it had signed a 21-year bilateral energy supply contract with DayOne to supply 500MW of power under the CRESS programme. TNB had also signed a Head of Terms agreement for 400MW energy supply to Bridge Data Centre under CRESS. Other deals include UEM Lestra's 360MW supply to ESR (as part of Khazanah's 1GW flagship project under NETR). Gamuda also announced partnerships with SD Guthrie and Gentari to explore 1.2GW and 1.5GW CRESS projects, separately. Solarvest had also teamed up with Canada's Brookfield to explore 1.5GW of CRESS projects. With the finalisation of SAC, we expect to see more CRESS announcements this year. TNB will benefit from this, as all CRESS projects are required to sign energy supply agreements with the utility giant. CRESS projects could also trigger contingency capex approvals for TNB. Note that UEM Lestra is also working with Bursa Malaysia to develop a CRESS auction by 2028.

Figure 3: 1.2GW of CRESS projects announced thus far

Offtaker	Producer	Capacity (MW)	Location	Status
Bridge Data Centre	TNB	400	Ulu Tiram, Johor	Head of Terms signed
ESR Group	UEM Lestra	360	Nusajaya	Part of Khazanah's 1GW project
DayOne	TNB	500	Johor	DayOne
Total		**1260**		

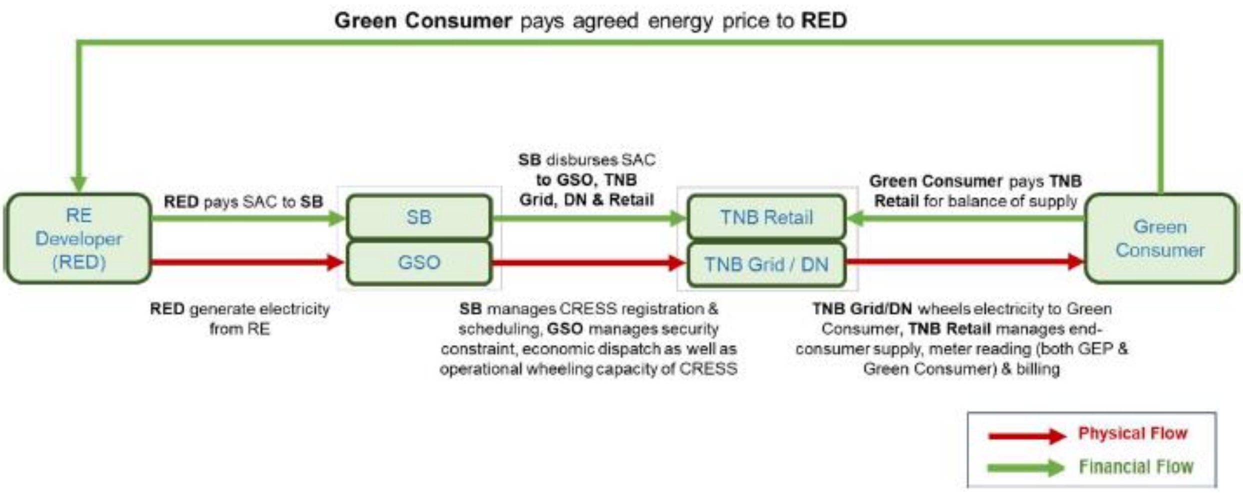
Source: Company data, RHB

Figure 4: Companies are exploring up 4.2GW of CRESS projects

Producers	Capacity (MW)	Date announced
Gamuda-Gentari	1,500	Aug-25
Gamuda-SD Guthrie	1,200	Aug-25
Solarvest (51%) -Brookfield (49%)	1,500	Sep-25
Total	**4,200**	

Source: Company data, RHB

Figure 5: Physical and financial framework for CRESS



Source: Energy Commission

Adding more gas (-fired plants) to the pedal

TNB secured extensions for three gas plants. Last November, TNB announced that it secured letter of notification (LON) for three gas power plants to extend power supply to the grid. This is part of the Energy Commission's (EC) Category 1 (CAT 1) tender. While both EC and TNB did not provide salient details on the extension, we expect the latter to sign a power purchase agreement (PPA) in 1Q26, with commercialisation from mid-2026 until 2030. The CAT 1 plants are intended to meet 4-5GW of demand shortfall, until 6GW of new gas plants are commissioned in 2030 as part of the EC's Category 2 (CAT 2) bid. We estimate the plants to contribute 4% to TNB's annual earnings.

Figure 6: TNB's three gas plants that secured power supply extensions

Plant	Capacity (MW)	Original expiry date
Gelugor Power Station	310	Aug-24
Putrajaya Power Station	249	Aug-25
Tuanku Jaafar Power Station (Unit 1)	703	Aug-28
Total	**1,262**	

Source: Company data, RHB

More extensions on the cards? Aside from TNB, Malakoff and Edra are the remaining power players with existing gas capacity that could see further PPA extensions. Based on the current expiry schedule (see Figure 7), we estimate that Edra has 675MW, Malakoff has 2.6MW, and TNB has 1.2GW effective capacity for potential extensions. Assuming Malakoff secures extension for three of its wholly-owned gas plants (Segari, Prai, GB3), we estimate an 8% upside to our FV. We also see a potential 4% FV uplift for TNB, if it secures the extension for its remainder 1.2GW gas capacity.

Figure 7: Scheduled expiry of gas-fired and coal-fired plants in 2022-2030

Year	Plant	Capacity	Type	Owner
2022	GB3	640	Gas	Malakoff
2024	Teknologi Tenaga Perlis Consortium	650	Gas	80% Jati Cakerawala, 20% TNB
	Prai Power	350	Gas	Malakoff
	SJ Gelugor	310	Gas	TNB
2025	SJ Putrajaya	249	Gas	TNB
2026	Kuala Langat Power Plant	675	Gas	Edra
2027	Segari Energy Ventures	1,303	Gas	Malakoff
2028	SJ Tuanku Jaafar, PD	703	Gas	TNB
2029	Kapar Energy Ventures	578	Gas	60% TNB, 40% Malakoff
	Kapar Energy Ventures	1,474	Coal	60% TNB, 40% Malakoff
2030	SJ Tuanku Jaafar, PD	708	Gas	TNB
	TNB Janamanjung	2,070	Coal	TNB
		9,710		

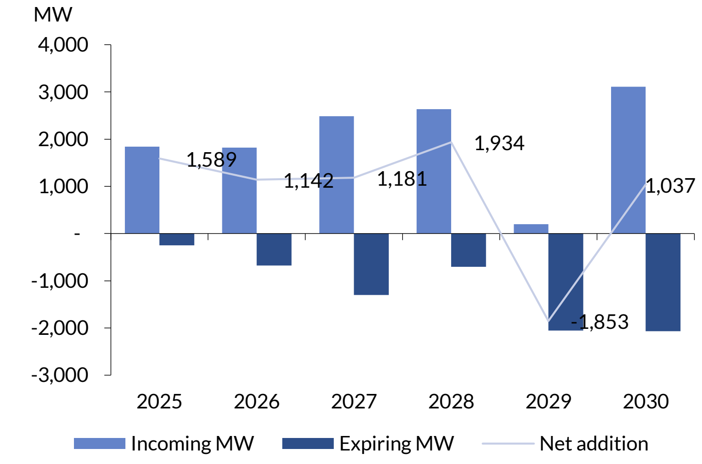
Source: Company data, RHB

Expecting new gas-fired plant winners soon. We see a stronger boost on valuations from the award of the new gas plants under the EC's CAT 2 tender. Last year, the EC had called for an open bidding exercise to develop new gas-fired plants (with a 21-year tenure) with planned commissioning in 2030. Media reports had indicated 6-8GW of new capacity under the CAT 2 tender is to meet rising demand. We expect the award of the CAT 2 tender to be announced in 1H26 to meet the expected commissioning in 2030.

TNB, YTLP and Malakoff are frontrunners. Given their track records, we believe TNB, YTLP and Malakoff are frontrunners in the CAT 2 bid. Note that TNB has a 56% share of national's 10GW gas plant installed capacity. 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 decent 12% project IRR and a MYR1.66 (+11%) accretion on our TP. Recall that Malakoff recently announced that it had secured advanced gas turbines and generators for an upcoming 1,400MW gas plant, with an option to reserve another 2x700MW turbines. Assuming Malakoff wins a bid to build a 1,400MW gas plant (MYR5.6bn capex, 70% debt funding, WACC: 8.2%), we estimate similar 12% project IRR and a MYR0.40 (+40%) accretion to our TP. Note that the new power plant would be timely to replace its 2,100MW Tanjung Bin Power coal-fired plant, which will expire in 2031. Based on similar inputs for Malakoff, we estimate a 5% accretion to YTLP's TP.

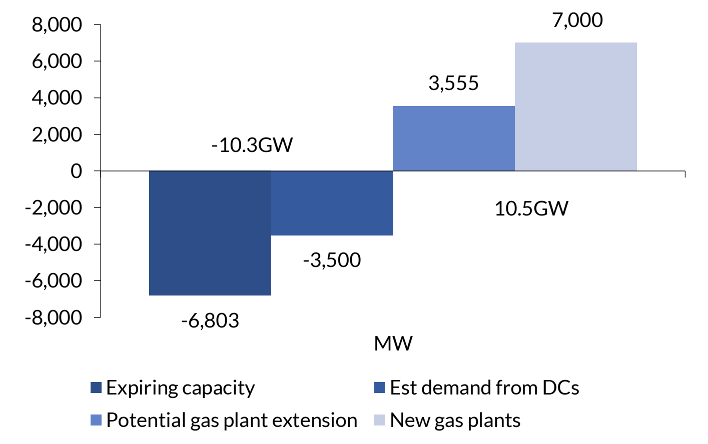
New gas plants are needed to meet energy demand. The new gas plant extensions are needed to ensure a stable base load and reserve margin to meet long-term energy demand. We estimate 3.5GW of energy demand to come from data centres by 2030, which should result in average 4.7% electricity demand growth (vs the 1.6% mean in 2010-2023). We estimate 10.5GW of new capacity could come online in order to meet the expiring 10.4GW shortfall by 2030 – which should result in the reserve margin staying above 40% (vs 18% if nothing is done to address the capacity shortfall).

Figure 8: Net changes in new/expiring generation capacity in 2025-2026



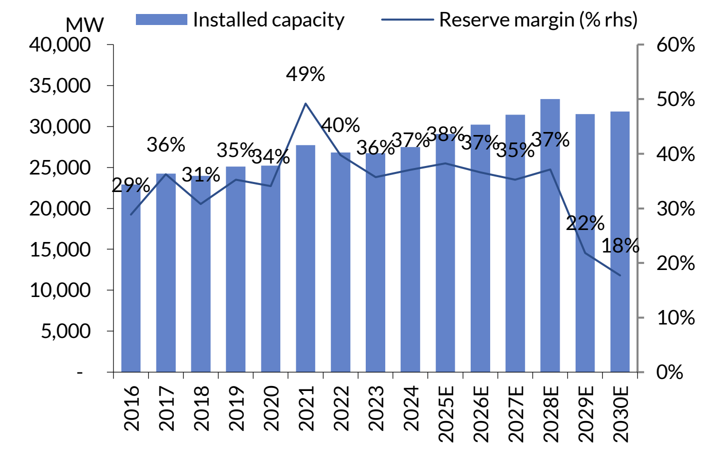
Source: Energy Commission, RHB

Figure 9: We estimate 10.5GW of new/extended gas-fired plants to offset expiring capacity/new data centre demand



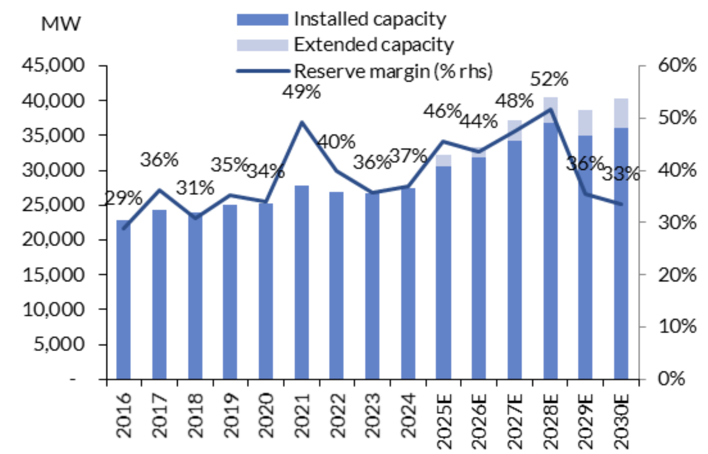
Source: Energy Commission, RHB

Figure 10: Reserve margin could fall to 18% by 2030 based on the current generation plan...



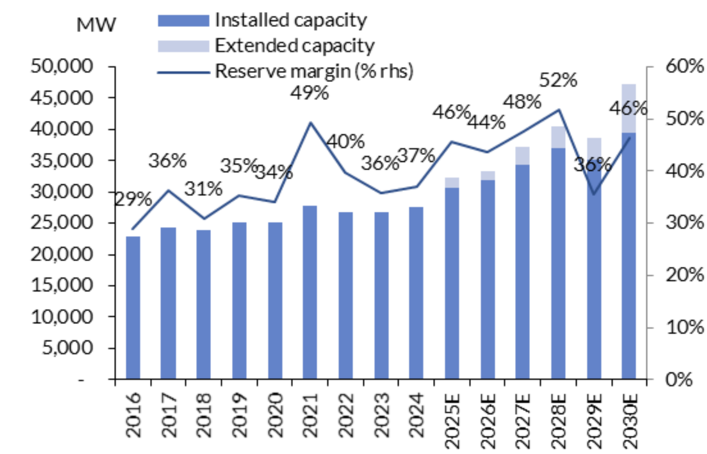
Source: Energy Commission, RHB

Figure 11: ...but could reach 33% if non-coal capacity is extended...



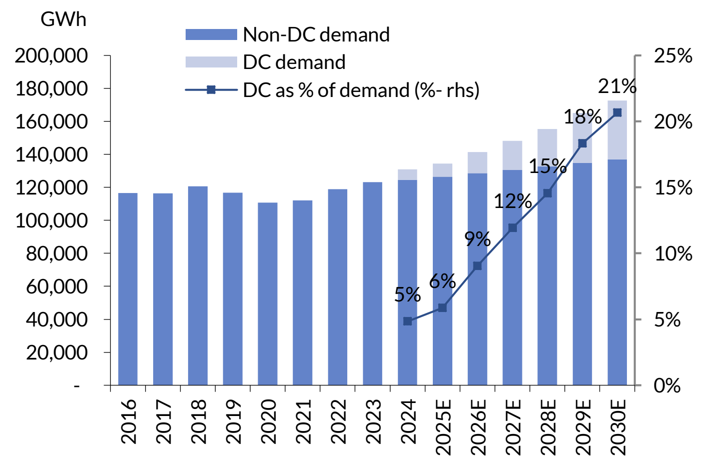
Source: Energy Commission, RHB

Figure 12: ...and 46% assuming 7GW new gas-fired plants come online in 2030



Source: Energy Commission, RHB

Figure 13: We expect data centres to take up 21% of total electricity demand in 2030



Source: Energy Commission, RHB

Other developments to look out for

More LSS programmes. The Government has indicated plans for the LSS6 tender with up to 2GW of capacity. Collectively, LSS5, LSS5+, and LSS6 could bring over 6GW of solar capacity to the market. This would provide a substantial pipeline for solar contractors and support earnings visibility through 2028. We estimate MYR8m/MW for LSS6 (vs MYR3m for LSS5) due to the additional battery investments – which could translate to MYR10bn EPCC jobs.

Figure 14: A summary of LSS tenders

LSS	Value (MYRm)	Capacity (MWac)	Reference price (sen/kWh	Bidding price range (sen/kWh	Target COD	Value (MYRm/MWac)
LSS1	2,000	401	48	39-65	2018	5.0
LSS2	3,000	562	41	33.98-53	2019-2020	5.3
LSS3	2,000	491	32	17.77-58	2021	4.1
LSS4	4,000	823	24	14.75-26.1	2022-2023	4.9
LSS5	6,000	2,000	n.a.	13-18	2026-2027	3.0
LSS5+	6,000	1,975	n.a.	14-16	2026-2027	3.0
LSS6	16,000	2,000	n.a.	n.a.	2027-2028	8.0

Source: Energy Commission, RHB

Record orderbook for solar players. Solarvest's outstanding orderbook stood at MYR1.33bn as at end-Sep 2025 (1HFY26 ending March), comprising 83% utility-scale contracts (Corporate Green Power Programme (CGPP) and LSS5) and 17% for commercial, industrial, and residential jobs. We believe management is able to achieve its orderbook target of MYR2bn by end-FY26, on the back of LSS5 and LSS5+ EPCC wins. Orderbook replenishment beyond FY26 should remain robust on the back of LSS6 tenders, as well as CRESS projects. Solarvest also recently formed a partnership with Brookfield to develop 1,500MWp RE projects under CRESS over the next 3-5 years. Its cumulative 130MWp capacity under the Powervest programme also provides recurring revenue and/or developer profit upside.

For YTD-FY26, Samaiden has won MYR290m worth of jobs, ie in line, at 64% of our FY26 (Jun) estimate. This brings its outstanding orderbook value to MYR618m as at end-Sep 2025. The company currently has a tenderbook of MYR2.55bn – comprising 70% utility-scale projects, 20% rooftop solar, and 10% for other solar-related works. Management is targeting to increase its outstanding orderbook value to MYR1bn over FY26-28, which could come from new LSS and CRESS jobs. Given the company's historical 20-30% win rate of tenders that it bid for, we believe the MYR1bn target is achievable. Furthermore, Samaiden is sitting on MYR195m in cash as at 1QFY26, which should provide a sufficient financial buffer to secure up to 200MWac in new jobs.

New job wins aside, we expect Samaiden's earnings to be maintained on ongoing LSS5 and LSS5+ works. The EPCC and installation works for the 99.99MWac LSS5 project in Kelantan will commence soon, while the 99.99MWac LSS5+ project in Johor is in the early planning stage. Samaiden's CGPP project will also begin contributions to group numbers in 1QCY26.

Solar ATAP. Last month, the Government announced guidelines for the Solar ATAP, which will replace the existing Net Energy Metering (NEM) scheme. The programme will allow producers to export excess energy to the grid, based on the energy component (excluding network and capacity charges). Interested parties can apply for this benefit from 1 Jan onwards. In comparison to NEM, Solar ATAP will not have a fixed quota upon being launched. That said, we believe there is a possibility of the Government imposing a quota cap in the future, to manage grid stability.

The unit price (MYR/kWh) of the energy exported in the billing period to the supply system shall be based on the average system marginal price (SMP) – the fluctuating wholesale electricity clearing price, updated every 30 minutes, rather than simple fixed credit rates, except for the domestic consumers, where the unit price shall be based on the applicable energy charge, which is offset at prevailing retail energy tariff (MYR0.27/kWh for ≤1,500 kWh per month, or MYR0.37/kWh for >1,500kWh). The maximum capacity of the PV installation for domestic users are 5kW for single-phase consumers and 15kW for 3-phase consumers, while there is 100% maximum demand for non-domestic consumers.

Unlike NEM 3.0's "one-to-one" offset on total bills, Solar ATAP credits apply only to the energy charge portion. Furthermore, unused credits no longer roll over to the next month, making system sizing and battery energy storage systems (BESS) critical to avoid wasted capacity.

In sum, we believe the rollout of Solar ATAP could unlock new revenue streams and broaden private sector involvement, especially for residential solar projects. Overall, we expect Solar ATAP to sustain solar power adoption and drive orderbook replenishment for solar contractors like Solarvest, Samaiden, and BM Greentech, supporting growth beyond 2026.

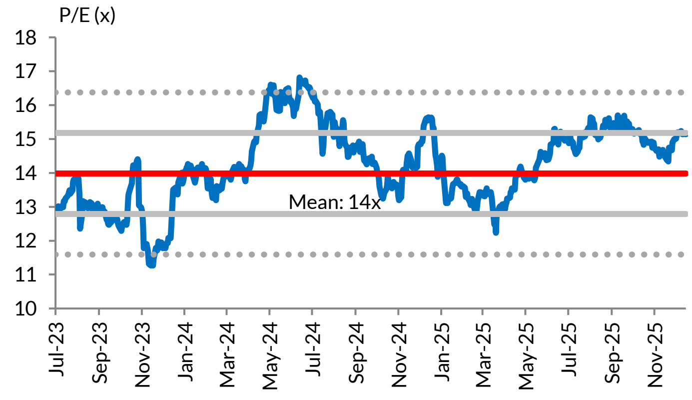
MyBeST winners announced. Last month, the Government shortlisted four successful bidders for the 400MW/1,600MWh Battery Energy Storage System (MyBeST) tender. These projects are targeted for commissioning in 2027. Given the lower battery costs and important role in stabilising the grid – we do not discount another MyBeST tender in the near future. MyBEST shortlisted bidders are:

i. Consortium of BLE C&I Projects 2 and Universal Peak;
ii. Consortium of ERS Energy and Gamuda;
iii. ERS Energy;
iv. Leader Energy Group.

ESG highlight in 2026: The introduction of carbon tax. The potential carbon tax implementation in 2026 is an earnings risk to the companies under coverage. Based on the respective firms' 2024 CO2 emission levels, we estimate that every MYR10 per tonne of CO2 could impact TNB's, MLK's and Petronas Gas' earnings by 7.4%, 63% and 2.5%. However, we also see the possibility of the carbon tax expense being passed on to end-consumers. Given the lack of charging mechanism details as well as the Government's intention for the tax to promote sustainability (instead of generating fiscal revenue), we do not expect a punitive tax rate, at the start. We expect more details of the carbon tax to come in 1H, with the earliest implementation in end-2026, if any.

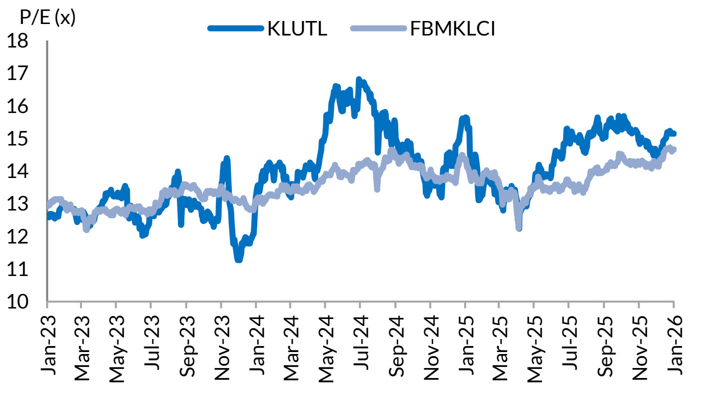
Changes to TNB's ESG rating. We increased our ESG rating for TNB to 2.9 (from 2.7) to reflect the 7% YoY improvement in RE capacity until end-September – which makes up 22% of its total installed capacity. We also note that TNB has another 8.8GW of RE capacity coming online by 2030, which should help reduce its GHG emissions by 23%. Among the companies under coverage, Malakoff ranks the lowest in terms of ESG due to its high carbon emissions, since coal accounts for 49% of its capacity. But this could decrease in 2030, if it builds a new 1,400MW facility in 2030.

Figure 15: KLUTL index is trading at +1SD forward P/E



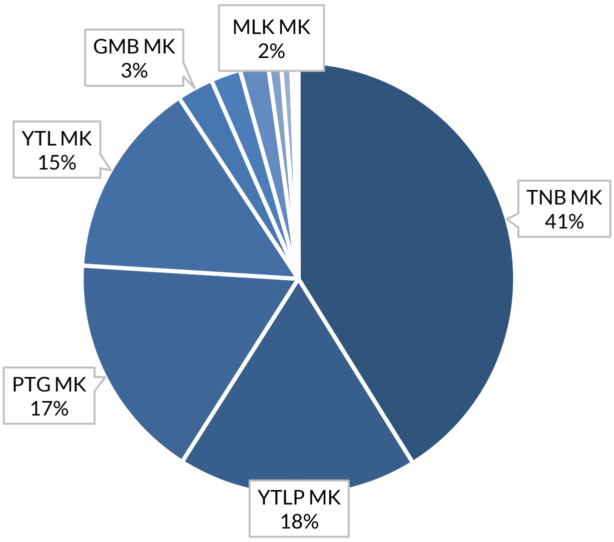
Source: Bloomberg, RHB

Figure 16: Comparison of P/Es – KLUTL vs KLCI



Source: Bloomberg, RHB

Figure 17: KLUTL weightage



Source: Bloomberg, RHB

Figure 18: Valuations of energy stocks under our coverage

	FYE	Price	TP	Mkt Cap	EPS Growth (%)		P/E (x)		EV/EBITDA (x)	DY (%)	Rec
Energy		(MYR/s)	(MYR/s)	(MYRm)	FY26F	FY27F	FY26F	FY27F	FY26F	FY26F	
YTL Power	Jun	3.34	4.77	28,821	3.5	(3.7)	11.7	12.2	7.5	2.1	Buy
Malakoff	Dec	0.84	1.00	4,081	20.1	8.7	18.3	16.9	5.9	4.4	Buy
Taliworks Corp	Dec	0.50	1.01	998	9.2	6.6	10.8	10.1	5.2	9.1	Buy
Solarvest^	Mar	3.13	3.49	2,952	8.4	8.6	34.2	31.5	20.1	0.0	Buy
Samaiden	Jun	1.41	1.63	705	37.8	19.5	25.0	20.9	14.9	0.6	Buy
BM Greentech^	Mar	1.48	2.14	1,018	3.7	3.6	14.6	14.1	6.4	1.9	Buy
Ranhill Utilities	Dec	1.74	2.60	2,255	12.5	5.7	19.7	18.6	3.8	0.9	Buy
Tenaga	Dec	13.56	15.60	79,043	12.9	4.5	15.7	15.5	5.2	3.8	Buy
Petronas Gas	Dec	18.20	18.90	36,013	0.7	0.2	19.0	19.0	8.7	4.5	Neutral
Mkt. cap weighted avg.					**8.5**	**2.3**	**16.6**	**16.2**	**7.5**	**3.5**	
Simple average					**12.1**	**6.0**	**18.9**	**17.7**	**8.6**	**3.0**	

Note: ^FY26-27F valuations refer to those of FY27-28F. Data as at 8 Jan 2026
Source: Bloomberg, RHB

Malaysia Company Update

Shariah Compliant

12 January 2026

Utilities | Power

Tenaga Nasional (TNB MK)

Buy (Maintained)

Three Cheers For The New Year; Keep BUY

Target Price (Return):	MYR15.60 (+15%)
Price (Market Cap):	MYR13.56 (USD19,462m)
ESG score:	2.8 (out of 4)
Avg Daily Turnover (MYR/USD)	80.2m/19.4m

- **BUY this sector Top Pick, new MYR15.60 TP from MYR14.80, 15% upside with c.4% FY26F yield.** As Regulatory Period 4's (RP4) framework provides a stable regulated earnings base, we identify three catalysts that should boost Tenaga Nasional's earnings and valuation this year: i) Reinvestment Allowance (RIA) approvals reducing the effective tax rate (ETR); ii) contingency capex approvals; and iii) a new gas plant award and extension. This report marks the transfer of coverage on this stock to Max Koh.
- **Improving tax rate from RIA.** In 3Q25, TNB recognised a one-off MYR10.6bn tax treatment in its balance sheet, thereby removing any potential impact on its P&L. More importantly, the Government has allowed it to recognise RIA for past qualifying capex to potentially reduce the ETR. From our sensitivity test, we note that every 2ppt reduction could improve its EPS and fair value by 3%. We expect a decision to be finalised this year.
- **Upside from contingency capex.** Our earnings currently reflect a 7.3% approved return on the MYR26bn base capex for RP4. We see upside from further MYR16bn contingency capex approvals, which could see total RP4 capex surge by 61% to MYR42bn. We expect contingency capex approvals to accelerate this year – on finalisation of Corporate Renewable Energy Supply Scheme (CRESS), Large-Scale Solar 6 (LSS6), and MyBeST projects, which would require grid upgrades. TNB targets to get two-thirds contingency capex approvals, which should provide an 8% upside to FY26F EPS.
- **New gas plant extensions.** TNB has secured letters of notification (LON) for three gas-fired power plants (1.3GW capacity) to supply power under the Energy Commission's (EC) Category 1 bid. We see the possibility of TNB securing extensions for another 1.2GW. Meanwhile, we believe the company is a frontrunner in the EC's Category 2 tender to build new gas-fired plants (generation capacity of 6-8GW) by 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 a MYR1.66 (+11%) accretion to our TP. We expect the winners to be announced in 1H.
- **Earnings adjustments, valuation and risks.** We lift FY25-27F net profit (NP) by 11%, 21% and 25%, as we factored in power purchase agreement (PPA) extensions for three gas-fired plants and lower interest expense. We also adjusted NP projections to remove the MFRS 16 impact on depreciation and finance costs for "right-of-use" assets. TNB is trading below its 3-year mean P/E – unjustified, as it is the prime beneficiary of rising electricity demand. Our TP is pegged to 19x FY26 P/E (+1SD from the 3-year mean), which is a fair premium, in our view. Key downside risks: i) Carbon tax implementation; ii) delayed capex approvals; and iii) higher-than-expected ETR.

Analysts

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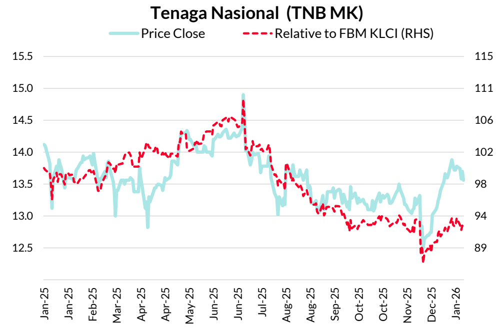
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(1.2)	6.8	2.7	(2.2)	(5.3)
Relative	(0.6)	3.3	0.1	(11.3)	(8.7)
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	4,324	4,881	5,099
Recurring net profit growth (%)	(19.5)	21.1	13.7	12.9	4.5
Recurring P/E (x)	24.38	20.13	17.70	15.68	15.50
P/B (x)	1.6	1.5	1.5	1.4	1.4
P/CF (x)	2.38	3.41	4.62	4.19	4.12
Dividend Yield (%)	3.4	4.0	3.4	3.8	3.9
EV/EBITDA (x)	6.31	5.74	5.50	5.19	5.17
Return on average equity (%)	5.2	9.5	8.5	9.3	9.4
Net debt to equity (%)	79.0	71.8	73.7	74.6	75.0

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

In FY24, TNB's total greenhouse gas (GHG) emissions decreased by 0.5% to 39.2m tCO2e.

Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
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 National Energy Transition Roadmap (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: 2.88 (out of 4)

Last Updated: 31 Dec 2024

E Score: 2.22 (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.

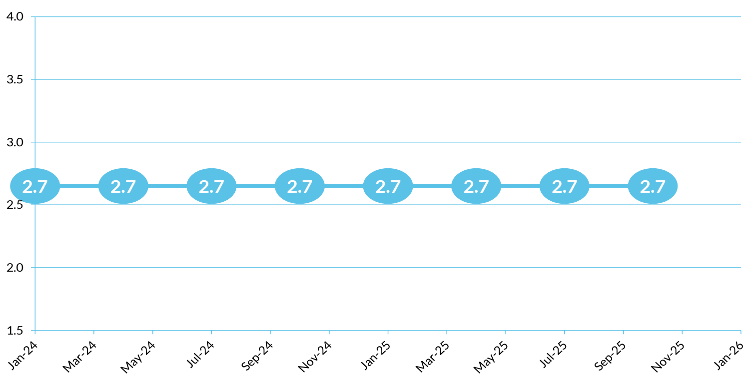
S Score: 3.3 (EXCELLENT)

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 four fatalities were recorded, justifying the lower score for this pillar. Its 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 that investors are able to participate and contribute to the general meeting.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Utilities
Tenaga Nasional
TNB MK
Buy

Valuation basis

P/E

Key drivers

i. Recognition of contingency capex;
ii. Higher reinvestment allowance reducing the effective tax rate.

Key risks

i. Introduction of a carbon tax;
ii. Delays in contingency capex approvals and mechanism.

Company Profile

Tenaga Nasional 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.

Financial summary (MYR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring EPS	0.56	0.67	0.77	0.86	0.87
DPS	0.46	0.54	0.46	0.52	0.52
BVPS	8.68	8.83	9.13	9.48	9.53
Return on average equity (%)	5.2	9.5	8.5	9.3	9.4

Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring P/E (x)	24.38	20.13	17.70	15.68	15.50
P/B (x)	1.6	1.5	1.5	1.4	1.4
FCF Yield (%)	28.3	14.6	4.6	6.2	7.1
Dividend Yield (%)	3.4	4.0	3.4	3.8	3.9
EV/EBITDA (x)	6.31	5.74	5.50	5.19	5.17
EV/EBIT (x)	15.98	13.14	12.32	10.88	10.52

Income statement (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover	53,067	56,737	69,175	72,794	76,654
Gross profit	26,639	29,488	26,380	28,332	30,010
EBITDA	18,623	19,953	21,280	22,932	23,854
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)	(3,257)	(3,900)	(4,377)
Pre-tax profit	3,374	5,815	6,294	7,115	7,432
Taxation	(770)	(1,085)	(1,870)	(2,113)	(2,207)
Reported net profit	2,770	4,699	4,324	4,881	5,099
Recurring net profit	3,138	3,802	4,324	4,881	5,099

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	16,550	18,255	19,188
Capex	(10,571)	(11,264)	(13,000)	(13,477)	(13,577)
Cash flow from investing activities	(5,782)	(11,595)	(12,325)	(12,802)	(12,853)
Dividends paid	(2,538)	(3,074)	(2,594)	(2,929)	(3,059)
Cash flow from financing activities	(12,985)	(12,752)	(1,326)	(2,113)	(2,729)
Cash at beginning of period	4,893	19,391	19,601	22,500	25,840
Net change in cash	13,452	(1,900)	2,899	3,340	3,605
Ending balance cash	18,345	17,491	22,500	25,840	29,445

Balance sheet (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total cash and equivalents	21,005	20,047	22,946	26,286	29,891
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	208,192	214,971	222,005
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	53,841	55,914	58,080
Total liabilities & equity	200,124	200,380	208,192	214,971	222,005

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	13.7	12.9	1.1
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	6.3	6.7	6.7
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

Catalyst 1: Reinvestment allowance to improve ETR

IRB tax dispute overhang removed… The longstanding regulatory and tax overhang issue for TNB has been removed, with the utility firm recognising a one-off MYR10.6bn tax treatment in the balance sheet in its 3Q25 financial results. This is positive, in our view, as it removes any potential downside to earnings, given concerns over potential P&L impact in the past. Consequentially, FY24 retained earnings were adjusted down by 17% to MYR48.9bn, to reflect the tax treatment retrospectively.

…with upside from the RIA. More importantly, the Ministry of Finance (MoF) has allowed for TNB to apply for a RIA under Schedule 7B for past qualifying capex of up to MYR10.6bn. Its ETR rose to 30% for 9MFY24 (vs 19% in FY24) due to higher expenses that were not allowed for tax deductions. Management had guided for ETR to remain at a similar level in FY26.

Sensitivity test: 2ppt reduction in ETR will improve earnings and fair value (FV) by 3%. Nevertheless, we see positive upside as we expect TNB to finalise the total claimable tax allowance this year, which could reduce TNB's future ETRs. We currently forecast a 30% ETR for FY26-27. A sensitivity test: Every 2ppt reduction in the ETR (or approval of a MYR141m RIA) will improve TNB's FY26 EPS and FV by 3%. Assuming a MYR1bn tax reduction, we expect FY26 EPS to improve by 16% – resulting in a bull-case FV of MYR18.15 (+16% from our TP).

Figure 1: Sensitivity test – every 2ppt ETR reduction will improve FY26 EPS/FV by 3%

FY26	**+4ppts**	**+2ppts**	**Base case**	**-2ppts**	**-4ppts**	**-6ppts**
Tax rate assumption (%)	34%	32%	30%	28%	26%	24%
NP (MYRm)	**4599**	**4740**	**4,881**	**5022**	**5163**	**5304**
Difference (MYRm)	-282	-141		141	282	423
change %	-6%	-3%		3%	6%	9%
FV (MYR)	**14.70**	**15.15**	**15.60**	**16.05**	**16.50**	**16.95**
change %	-6%	-3%		3%	6%	9%

Source: Company data, RHB

Catalyst 2: Upside from contingency capex approvals

TNB's capex to be sustained in FY26. As at end-3Q25, TNB had utilised 76% of its MYR10bn base capex allocation for FY25, and MYR0.7bn for contingency capex (out of MYR2bn planned for the year). Given TNB's track record in fulfilling its allocation, we believe TNB should be to sustain similar base capex allocation in FY26. While the contingency capex utilisation appears to be low for the 9M period, we expect this to accelerate in FY26 as we expect the Government to approve more contingency projects to meet higher electricity demand. The contingency capex allocation in 9M25 were for investments involving data centres (DCs), the East Coast Rail Link, and government projects.

Our base case reflects the approved MYR26bn base capex... Our FY25-27F base case earnings already reflect the approved MYR26bn base capex for RP4 (2025-2027). This implies a 29% capex growth vs RP3, and 4.9% electricity demand forecasted for FY25-27 (vs 1.7% in RP3).

… with an 8% upside from two-thirds contingency capex approvals. Compared to RP3, the government had allowed MYR16bn contingency capex that TNB can earn returns upon, if these projects are approved. TNB management had indicated that it should be able to get approval for two-thirds of the MYR16bn contingency capex, with earnings to be recognised in RP4. Sensitivity test: Assuming that two-thirds of the contingency capex is approved, we estimate an 8% upside to FY26 EPS and FV.

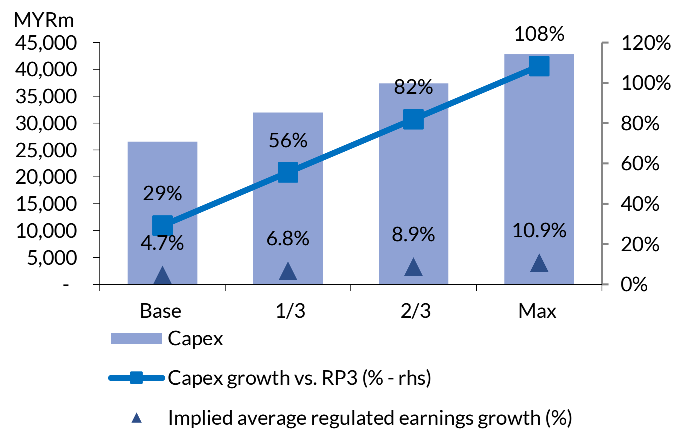
CRESS, LSS6 and MyBeST to drive contingency capex approvals. Key news flow this year include the announcement of new CRESS projects, a 2GW tender for solar/battery projects under LSS6, and the commencement of the recently shortlisted bidders of the 400MW MyBesT programme. We expect these projects to drive additional grid upgrades, which should also trigger contingency capex approvals.

Figure 2: Sensitivity test – assuming approval of two-thirds of the contingency capex, we estimate an 8% upside to FY26 EPS

		Contingency capex utilisation			chg % (vs. base)		
MYRm	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 NP	4,881	5,082	5,280	5,478	4%	8%	12%
FY27 NP	5,099	5,437	5,820	6,203	7%	14%	22%
FV (RM) - based on 19x FY26 P/E	**15.60**	**16.25**	**16.88**	**17.51**	**4%**	**8%**	**12%**
FY (RM) - based on 19x FY27 P/E		**17.38**	**18.60**	**19.83**	**11%**	**19%**	**27%**

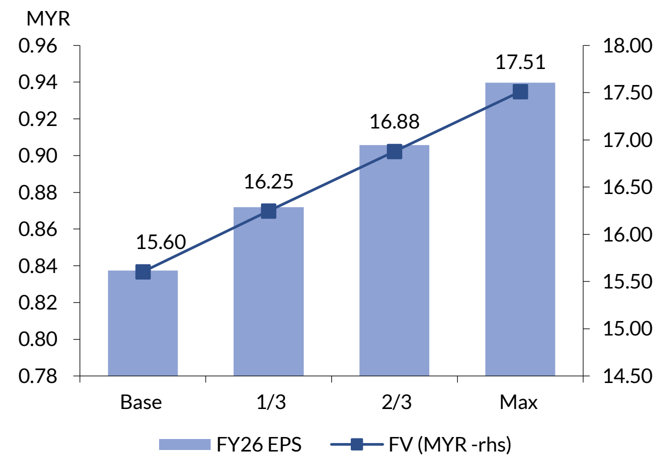
Source: RHB

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 and FV growing by 12%



Source: Company data, RHB

Catalyst 3: New gas plant extensions

Secured capacity extension for three gas plants. Last November, TNB announced that it secured a LON for three gas power plants to extend the power supply concession under the EC's Category 1 (CAT 1) bid. While both the EC and TNB did not provide salient details on the extension, we expect the TNB to sign a PPA in 1Q26, with commercialisation from mid-2026 until 2030. Recall that the CAT 1 plants are intended to meet 4-5GW of the demand shortfall, until 6GW in new gas plants are commissioned in 2030 as part of the EC's Category 2 (CAT 2) bid.

Figure 5: TNB's three gas plants that secured power supply extensions

Plant	Capacity (MW)	Original expiry date
Gelugor Power Station	310	Aug-24
Putrajaya Power Station	249	Aug-25
Tuanku Jaafar Power Station (Unit 1)	703	Aug-28
Total	**1,262**	

Source: Company data, RHB

Minimal earnings impact due to lower capacity payments. While TNB's extension for three plants (9% of its installed capacity) is positive, we expect it to have a minimal impact on earnings. This is because we estimate a 25% reduction in capacity payments (vs that for the original PPA terms) as the assets are already fully amortised. Hence, we estimate the PPA extensions to only account for 4% of TNB's earnings – which we have factored into our numbers.

More extensions on the cards? That said, we do not discount the possibility of further gas plant PPA extensions – in case of potential delays in the commissioning of CAT 2 new gas plants. Aside from the three aforementioned projects, we estimate that TNB has three remaining gas plants (Kapar Energy Ventures (KEV), Teknologi Tenaga Perlis Consortium, and SJ Tuanku Jaafar) with an effective 1.2GW capacity that could be extended. This would bring about another 4% upside to earnings.

Figure 6: Scheduled expiry of gas and coal plants in 2022-2030

Year	Plant	Capacity	Type	Owner
2022	GB3	640	Gas	Malakoff
2024	Teknologi Tenaga Perlis Consortium	650	Gas	80% Jati Cakerawala, 20% TNB
	Prai Power	350	Gas	Malakoff
	SJ Gelugor	310	Gas	TNB
2025	SJ Putrajaya	249	Gas	TNB
2026	Kuala Langat Power Plant	675	Gas	Edra
2027	Segari Energy Ventures	1,303	Gas	Malakoff
2028	SJ Tuanku Jaafar, PD	703	Gas	TNB
2029	Kapar Energy Ventures	578	Gas	60% TNB, 40% Malakoff
	Kapar Energy Ventures	1,474	Coal	60% TNB, 40% Malakoff
2030	SJ Tuanku Jaafar, PD	708	Gas	TNB
	TNB Janamanjung	2,070	Coal	TNB
		9,710		

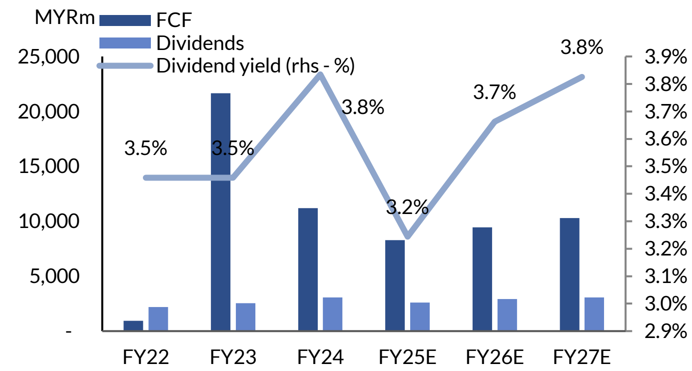
Source: Company data, RHB

Potential 11% upside from a new gas plant. More importantly, we see a stronger valuations boost from the award of the new gas plants under EC's CAT 2 tender. Recall that EC had called for an open bidding exercise to develop new gas-fired plants (with a 21-year tenure) with planned commissioning in 2030. Media reports had indicated 6-8GW of new capacity under the CAT 2 tender to meet rising demand. Given TNB's 56% share of the national 10GW gas plant installed capacity, we believe it is well-positioned to secure a bid. 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 decent 12% project IRR and a MYR1.66 (+11%) accretion to our TP.

FCF to sustain dividend payouts

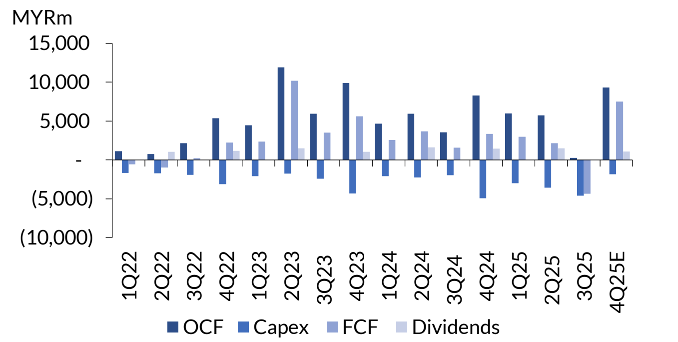
Stable FCF to sustain 4% dividend yield. TNB reported negative FCF of MYR4.3bn in 3Q25, due mainly to one-off additional tax payments made. For the full year, we expect it to report a positive FCF of MYR10bn, as we do not expect any more significant cash outflow in 4Q25. This should make for a strong base for the company to maintain its dividend payments. For FY25, we forecast TNB to pay MYR2.6bn (premised on a 60% payout ratio) – which makes up 30% of FCF. This translates to a c.4% yield at the current price. We expect dividend payouts to be sustained in FY26-27.

Figure 7: We expect positive FCF to sustain dividends



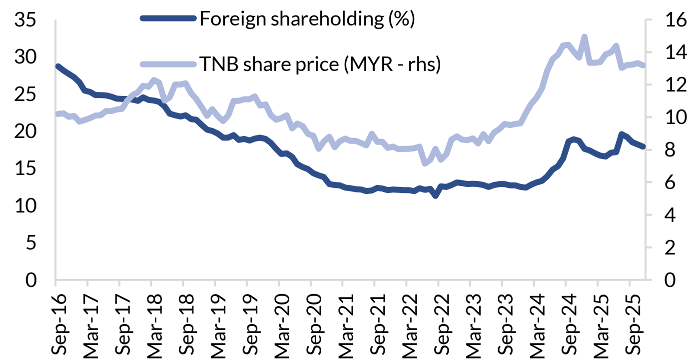
Source: Company data, RHB

Figure 8: TNB reported negative FCF in 3Q25 due to one-off tax payment to IRB. We expect positive FCF in 4Q25



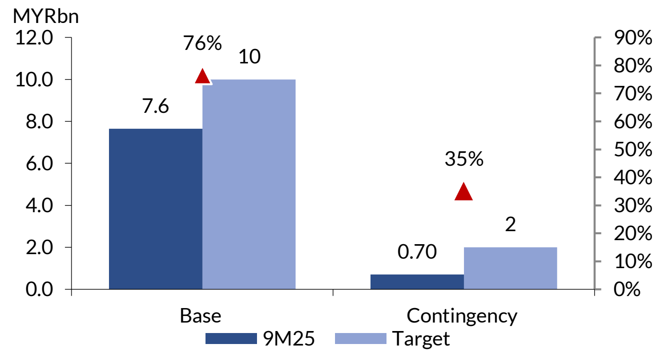
Source: Company data, RHB

Figure 9: Foreign shareholding has fallen from a 6-year high of 19% since the Court's rule on tax claims in July



Source: Company data, RHB

Figure 10: As at end-September, TNB had spent 75% of its target base capex for FY25



Source: Company data, RHB

Changes in estimates

Figure 11: Changes to our estimates

	Old			New			% Variation		
MYRm	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
Revenue	56,984	59,005	61,110	69,175	72,794	76,654	21%	23%	25%
EBITDA	21,138	21,859	22,067	21,280	22,932	23,854	1%	5%	8%
Recurring net profit	3,882	4,042	4,076	4,324	4,881	5,099	11%	21%	25%
EPS (sen)	67	69	70	74	84	87	11%	21%	25%
DPS (sen)	43	45	45	45	50	52	3%	11%	15%

Source: Company data, RHB

Figure 12: Consensus vs RHB estimates

	BBG consensus			RHB estimates			% Variation		
MYRm	**FY25**	**FY26**	**FY27**	**FY25**	**FY26**	**FY27**	**FY25**	**FY26**	**FY27**
Revenue	63,513	66,702	70,520	69,175	72,794	76,654	9%	9%	9%
EBITDA	19,940	21,506	22,876	21,280	22,932	23,854	7%	7%	4%
Recurring net profit	4,234	4,730	4,984	4,324	4,881	5,099	2%	3%	2%
EPS (sen)	73	82	86	74	84	87	2%	3%	2%
DPS (sen)	45	49	53	45	50	52	-1%	2%	-2%

Source: Company data, RHB

Changes to estimates. We lift FY25, FY26 and FY27 NP forecasts by 11%, 21% and 25% as we factored in PPA extensions for the three gas plants as well as lower net interest expenses – mitigating a 1ppt increase in ETR to 30%. We have also adjusted our recurring net profit numbers to remove the non-cash impact from the MFRS 16 accounting treatment, which requires TNB to recognise depreciation and finance costs for "right-of-use" assets. Our FY25-27 estimates are 2-3% higher than that of the consensus.

Valuation and recommendation

Keep BUY, new MYR15.60 TP from MYR14.80, 15% upside with c.4% FY26F yield. We increased our TP by 9%, as we changed our valuation methodology from DCF to P/E. Our TP is pegged to 19x FY26 P/E, which is at +1SD from the counter's 3-year mean. This premium is justified, as TNB is the prime beneficiary of the 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 FY26-27F, and we see upside from:

i. Contingency capex approvals;
ii. Lower ETR from RIA approvals;
iii. New gas plant extensions.

We have also reduced our ESG discount to 4% (from 6%) to reflect TNB's improving RE portfolio (+7% YoY to 4.6GW currently, with another 8.8GW in the pipeline) which could further reduce CO_2 emissions by 23%. Our TP implies a FY26 target EV/EBITDA of 7.4x – close to +1SD from the mean. TNB's share price is still at a 6% discount from the recent high when the Federal Court's ruling on additional tax assessment from the Inland Revenue Board IRB) was made in July. We believe this is a good time to accumulate TNB shares, given the removal of the IRB tax dispute overhang.

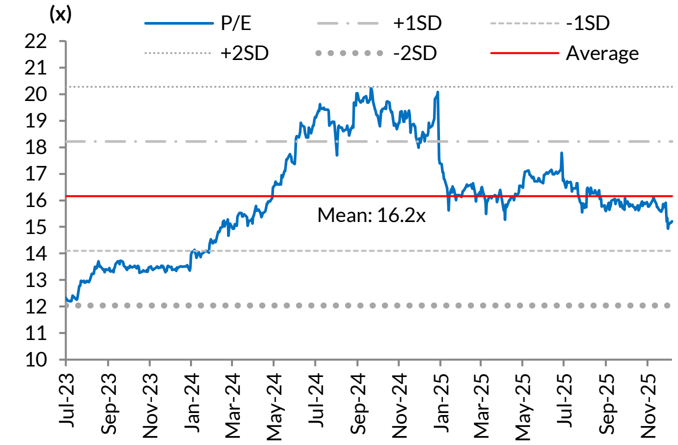
Key downside risks: The implementation of carbon tax is a risk to TNB's earnings. Assuming a MYR10 per tonne of CO_2 carbon tax on Scope 1 emissions, we estimate this will have an 8% impact on TNB's FY26-27 EPS. Other key risks include delays in contingency capex approvals and a higher-than-expected ETR.

Figure 13: P/E valuation

FY26 recurring net profit (MYRm)	4,881
P/E (x)	19.4
Total value (MYRm)	94,694
Outstanding shares (m)	5,829
	16.24
ESG discount (%)	4%
TP (MYR)	**15.60**

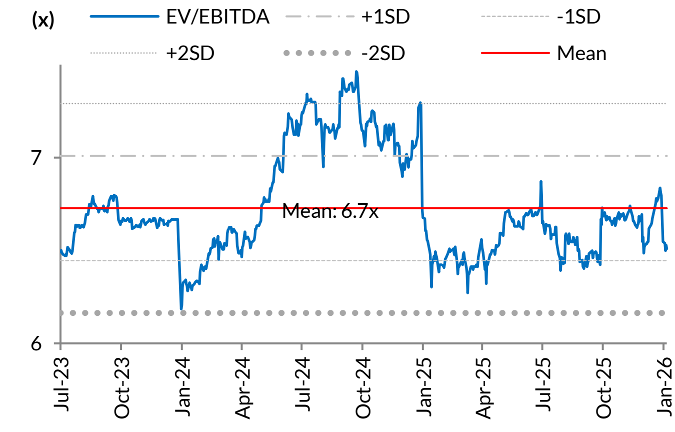
Source: RHB

Figure 14: TNB is trading below its 3-year P/E average



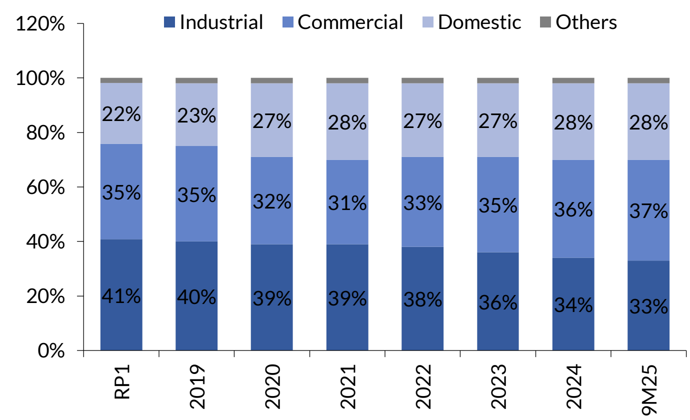
Source: Bloomberg, RHB

Figure 15: TNB is trading below its 3-year EV/EBITDA average



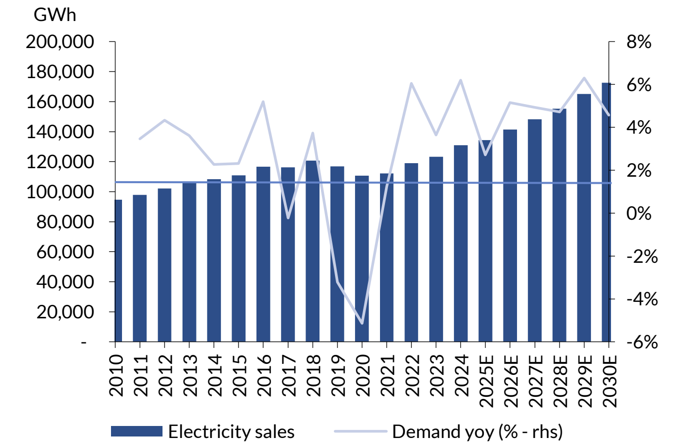
Source: Bloomberg, RHB

Figure 16: Its commercial sales mix is growing due to rising demand from DCs



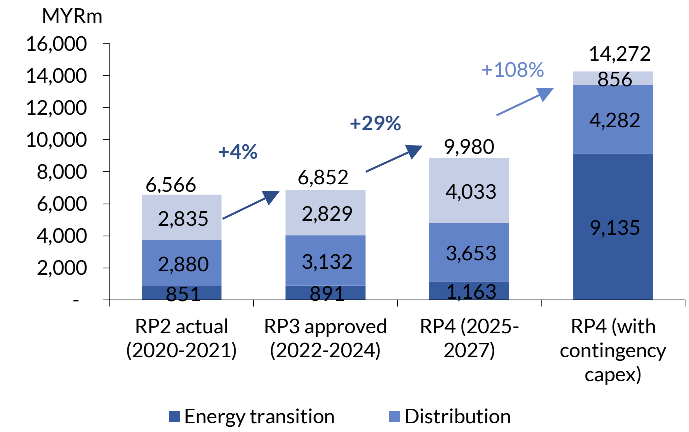
Source: Company data, RHB

Figure 17: We forecast 4.7% average electricity demand growth in FY25-FY30E (vs the 1.6% average in 2010-2023)



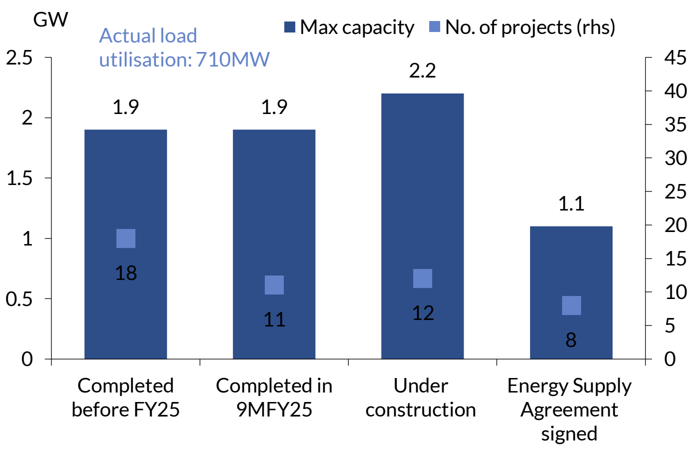
Source: Company data, RHB

Figure 18: The Government has approved a 29% increase in the annual base capex for RP4 (2025-2027), with upside from additional contingency capex



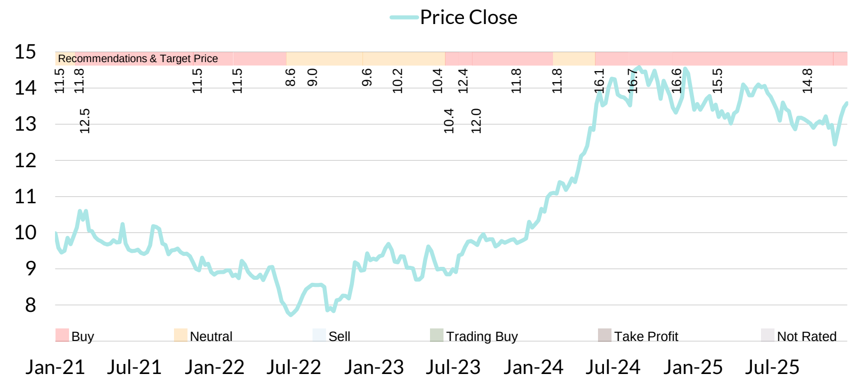
Source: Company data, RHB

Figure 19: TNB has completed supply to 31 DCs with a maximum load of 3.8GW



Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
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
2022-12-19	Neutral	9.6	9.3

Source: RHB, Bloomberg

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