

Ong Tze Hern
(603) 7890 8888 (ext 2113)
tzehern.ong@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM 13.60
Previous Target Price:	RM 16.04
Target Price:	↔ RM 16.04
Capital Upside/ Downside:	17.9%
Dividend Yield (%):	3.5%
Total Upside/ Downside:	21.4%

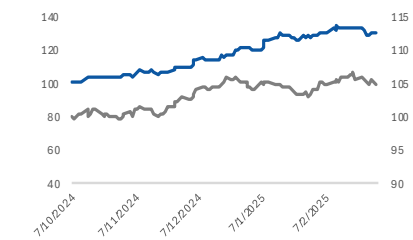
Stock information

Board	MAIN
Sector	Utilities
Bursa/ Bloomberg Code	5347/ TNB MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	5,812.9
Market Cap (RM' m)	79,056.1
52-Week Price Range (RM)	15.24- 10.96
Beta (x)	1.1
Free float (%)	53.4
3M Average Volume (m)	7.7
3M Average Value (RM' m)	106.1

Top 3 Shareholders (%)

Amanah Saham Nasional Bhd	21.2
Khazanah Nasional Bhd	20.9
Employees Provident Fund Board	19.3

Share Price Performance



	1M	3M	12M
Absolute (%)	0.1	1.6	20.4
Relative (%)	-1.2	3.7	17.6

Tenaga Nasional Berhad

Earnings in line

Executive Summary

- **TENAGA's 4QFY24 results came in within expectations. Quarterly CNP stood at RM701.5m (+35.6% qoq, +56.0% yoy), bringing the FY24 CNP to RM3.8bn (+22.6% yoy).**
- **The Group declared a final dividend of 26.0sen in 4QFY24 (4QFY23: 28.0sen), bringing FY24 DPS to 51.0sen (FY23: 46.0sen).**
- **Looking ahead, we expect earnings growth to be supported by higher RAB under RP4, 10GW power generation project pipeline scheduled for completion by 2030, and higher capacity income from Manjung 4 as it resumes operations.**
- **After incorporating FY24 results, we tweaked our FY25 and FY26 earnings forecasts by -0.6% and -0.2% respectively.**
- **Reiterate BUY with unchanged TP of RM16.04 based on DCF valuation (WACC: 7.1%, g: 2.0%), and appraised with a three-star ESG rating.**

Within Expectations. TENAGA's FY24 core net profit (CNP) of RM3.8bn was in line with our expectations but below consensus estimates, achieving 101% of our forecast and 94% of consensus full-year forecasts.

Highest Dividend since FY20. The Group declared a final dividend of 26.0sen in 4QFY24 (4QFY23: 28.0sen), bringing FY24 DPS to 51.0sen (FY23: 46.0sen).

YoY. Excluding exceptional items, such as forex losses (RM604.5m), reversal of impairment losses on receivables (RM816.0m), reversal of impairment losses in associates (RM225.1m), and other adjustments, 4QFY24 CNP surged 56.0% yoy to RM701.5m, driven by lower operating expenses, including staff costs (-13.5% yoy) and depreciation expenses (-6.4% yoy), as well as higher finance income (+38.2% yoy). These gains more than offset the significant share of loss in associate amounting to RM202.2m (4QFY23: share of profit RM18.0m), which was due to derecognition of the share of profit from the associate in Türkiye (hyperinflationary accounting). This was offset by a corresponding impairment reversal, resulting in neutral earnings impact. Meanwhile, Genco registered LAT of RM247.4m, widened from LAT of RM198.9m due to a negative fuel margin of c.RM61.8m (vs positive fuel margin of RM149.2m in 4QFY23).

YTD. For the full year, FY24 CNP rose 22.6% yoy to RM3.8bn on the back of higher finance income (+15.5% yoy), lower finance cost (-5.4% yoy), reflecting loan repayment and interest capitalisation, as well as reduced negative fuel margins (FY24: -RM153.8m vs FY23: -RM618.7m). Evidently, Genco posted a PAT of RM178.9m in FY24, marking a turnaround from LAT of RM526.8m in FY23.

QoQ. CNP jumped 35.6% qoq, supported by higher finance income (+40.9% qoq), lower subsidiaries' cost of sales and general expenses (-40.5% qoq) and decrease in depreciation costs (-5.9% qoq). However, Genco recorded LAT of RM247.4m, reversing from PAT of RM107.3m in 3QFY24 due to higher negative fuel margins (4QFY24: -RM61.8m vs 3QFY24: -RM22.2m) and the impact of a one-off claim at Southern Power Generation amounting to RM163.0m in 3QFY24. Notably, Manjung 4 resumed operation on 5 Nov 2024, but we believe full capacity income recognition will occur only in FY25 as it takes time for the UOR to return below the threshold.

Electricity Demand Growth Driven by Domestic Sector and Data Centre. 4QFY24 Electricity demand grew by 3.1% yoy, supported by Commercial (+8.1%) and Domestic (3.5%) demand. The rise in Commercial sector's demand is unsurprising, given that data centres are classified under this segment. On a full-year basis, FY24 Electricity demand grew 6.2% yoy, exceeding Malaysia's 5.1% GDP growth, supported by growth in Commercial (+9.2%) and Domestic (+8.5%) demand.

Outlook. Looking ahead, we expect earnings growth to be supported by higher allowed Capex under RP4, which would expand the regulated asset base (RAB) and hence the allowed return for

the regulated business. Meanwhile, the non-regulated power generation business is set for sustainable and diversified earnings growth, underpinned by its 10GW project pipeline scheduled for completion by 2030. Manjung 4 resumed operation on 5 Nov 2024 and should contribute to higher capacity income in the coming quarters. However, with the benchmark Newcastle coal prices declining since early January (Figure 1), domestic power generation business could suffer from negative fuel margins in the upcoming quarter.

Earnings Revision. After incorporating FY24 results, we tweaked our FY25 and FY26 earnings forecasts by -0.6% and -0.2% respectively. We also introduce FY27 earnings forecast of RM4.3bn.

Valuation and Recommendation. Reiterate **BUY** with unchanged TP of **RM16.04** based on DCF valuation (WACC: 7.1%, g: 2.0%). No ESG premium or discount has been applied, given the Group's three-star ESG rating. We remain positive on TENAGA's outlook, driven by rising energy demand, ongoing energy transition under the NETR, which requires significant grid investment and modernisation, as well as potential growth from low-carbon electricity exports to Singapore.

Risk. Rapid plunge in coal prices, unplanned shutdowns of power plants, weakening of Ringgit, policy risk.

Earnings Summary

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	53066.9	56737.1	69097.0	72313.2	75543.3
EBITDA	18622.6	19952.5	20655.7	21638.6	22102.2
Pre-tax profit	3373.6	5814.8	5665.4	5797.6	5851.3
Net profit	2770.3	4698.6	4192.4	4290.2	4329.9
Core net profit	3069.3	3762.6	4192.4	4290.2	4329.9
Core EPS (sen)	53.2	64.9	72.1	73.8	74.5
DPS (sen)	46.0	51.0	47.0	48.0	48.0
P/E (x)	28.3	16.8	18.9	18.4	18.3
P/B (x)	1.3	1.3	1.3	1.2	1.2
EV/EBITDA (x) *	8.1	7.3	7.4	7.3	7.1
Dividend Yield (%)	3.4%	3.8%	3.5%	3.5%	3.5%
Net Gearing (%) *	120%	106%	114%	119%	115%

* Gearing ratios and EV include lease liabilities as debt

Source: Company, Apex Securities

Results Note

Monday, 03 Mar, 2025

Results Comparison

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qq (%)	12MFY24	12MFY23	yoy (%)	Comments
Revenue	14,378.3	13,652.0	5.3	14,351.6	0.2	56,737.1	53,066.9	6.9	
ICPT	1,726.1	2,106.6	(18.1)	2,196.4	(21.4)	9,097.7	10,598.2	(14.2)	Lower ICPT due to lower fuel generation costs
Operating expenses (exclusive of depreciation)	(14,397.4)	(14,861.3)	(3.1)	(15,177.8)	(5.1)	(58,958.3)	(57,371.1)	2.8	
EBITDA	5,553.6	4,279.8	29.8	4,494.4	23.6	19,952.5	18,622.6	7.1	
Depreciation	(2,711.9)	(2,897.3)	(6.4)	(2,882.0)	(5.9)	(11,232.4)	(11,265.7)	(0.3)	
EBIT	2,841.7	1,382.5	105.5	1,612.4	76.2	8,720.1	7,356.9	18.5	
Forex gain / (loss)	(604.5)	151.0	nm	1,120.1	nm	467.4	(209.5)	nm	Forex loss in 4QFY24 due to weakening of Ringgit
Finance income	183.3	132.6	38.2	130.1	40.9	628.7	544.3	15.5	
Finance costs	(1,078.4)	(955.0)	12.9	(978.5)	10.2	(4,097.8)	(4,331.1)	(5.4)	Lower finance cost yoy due to repayment of loans and interest capitalisation
FV changes of financial instruments	(6.1)	(63.9)	(90.5)	(44.1)	(86.2)	(11.1)	(49.4)	(77.5)	
Share of results of JVs & associates	(193.3)	26.7	nm	35.4	nm	107.5	62.4	72.3	Derecognition of share of profit from associate
Pre-tax profit	1,142.7	673.9	69.6	1,875.4	(39.1)	5,814.8	3,373.6	72.4	in Türkiye in 4QFY24 (hyperinflationary accounting)
Taxation & zakat	(234.9)	(149.5)	57.1	(243.9)	(3.7)	(1,085.2)	(770.0)	40.9	
Profit after tax	907.8	524.4	73.1	1,631.5	(44.4)	4,729.6	2,603.6	81.7	
(-) Minority interest	(46.7)	(59.5)	(21.5)	47.2	nm	31.0	(166.7)	nm	
Net profit	954.5	583.9	63.5	1,584.3	(39.8)	4,698.6	2,770.3	69.6	
Core net profit	701.5	449.6	56.0	517.5	35.6	3,762.6	3,069.3	22.6	
Core EPS (sen)	12.1	7.8	55.3	8.9	35.5	64.9	53.2	22.0	
DPS (sen)	26.0	28.0	(7.1)	-	nm	51.0	46.0	10.9	
EBITDA margin (%)	38.6	31.3		31.3		35.2	35.1		
PBT margin (%)	7.9	4.9		13.1		10.2	6.4		
Effective tax rate (%)	20.6	22.2		13.0		18.7	22.8		
Core net profit margin (%)	4.9	3.3		3.6		6.6	5.8		

Source: Company, Apex Securities

Results Note

Monday, 03 Mar, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	53,066.9	56,737.1	69,097.0	72,313.2	75,543.3
ICPT	10,598.2	9,097.7	0.0	0.0	0.0
EBITDA	18,622.6	19,952.5	20,655.7	21,638.6	22,102.2
Depreciation & Amortisation	-11,265.7	-11,232.4	-11,394.6	-12,127.5	-12,675.4
EBIT	7,356.9	8,720.1	9,261.1	9,511.2	9,426.8
Net Finance Income/ (Cost)	-3,786.8	-3,469.1	-3,701.0	-3,824.7	-3,670.1
Associates & JV	62.4	107.5	105.3	111.1	94.6
Forex gain/(loss)	-209.5	467.4	0.0	0.0	0.0
FV changes of financial instruments	-49.4	-11.1	0.0	0.0	0.0
Pre-tax Profit	3,373.6	5,814.8	5,665.4	5,797.6	5,851.3
Tax	-770.0	-1,085.2	-1,359.7	-1,391.4	-1,404.3
Profit After Tax	2,603.6	4,729.6	4,305.7	4,406.2	4,447.0
(-) Minority Interest	-166.7	31.0	113.3	116.0	117.0
Net Profit	2,770.3	4,698.6	4,192.4	4,290.2	4,329.9
(-) Exceptionals	-299.0	936.0	0.0	0.0	0.0
Core Net Profit	3,069.3	3,762.6	4,192.4	4,290.2	4,329.9

Key Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	48.0	81.0	72.1	73.8	74.5
P/E (x)	28.3	16.8	18.9	18.4	18.3
P/B (x)	1.3	1.3	1.3	1.2	1.2
EV/EBITDA (x)	8.1	7.3	7.4	7.3	7.1
DPS (sen)	46.0	51.0	47.0	48.0	48.0
Dividend Yield (%)	3.4%	3.8%	3.5%	3.5%	3.5%
EBITDA margin (%) ^	29.3%	30.3%	29.9%	29.9%	29.3%
EBIT margin (%) ^	11.6%	13.2%	13.4%	13.2%	12.5%
PBT margin (%) ^	5.3%	8.8%	8.2%	8.0%	7.7%
PAT margin (%) ^	4.1%	7.2%	6.2%	6.1%	5.9%
NP margin (%) ^	4.4%	7.1%	6.1%	5.9%	5.7%
CNP margin (%) ^	4.8%	5.7%	6.1%	5.9%	5.7%
ROE (%)	4.7%	7.8%	6.8%	6.8%	6.7%
ROA (%)	1.4%	2.3%	2.0%	2.0%	2.0%
Gearing (%) *	151.6%	137.6%	138.8%	143.6%	135.7%
Net gearing (%) *	117.3%	105.6%	113.3%	118.3%	114.6%

^ ICPT included in the calculation of profitability margins

* Gearing ratios and EV include lease liabilities as debt

DCF Valuation	Value (RM m)	Valuation method
Enterprise Value	168,549.7	WACC: 7.1%, g: 2.0%
(-) Net Debt/(Cash)	72,754.6	
(-) Minority Interests	2,311.9	
Total Equity Value	93,483.3	
Enlarged share base (m share)	5,826.9	
Equity Value/share (RM)	16.04	
ESG premium/discount	0.0%	
Fair Value (RM)	16.04	

Source: Company, Apex Securities

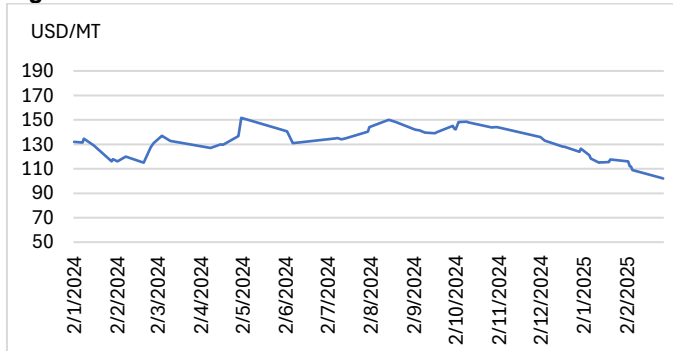
Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	19,390.5	19,601.1	15,916.7	16,243.2	13,756.4
Receivables	10,408.2	10,857.4	12,494.3	12,877.7	13,245.9
Inventories	2,758.0	2,543.6	2,435.3	2,545.5	2,681.8
Other current assets	8,091.5	7,306.1	7,731.5	7,854.6	7,978.2
Total Current Assets	40,648.2	40,308.2	38,577.8	39,520.9	37,662.3
Fixed Assets	121,932.1	125,611.1	130,446.4	134,836.9	138,937.7
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	42,163.3	39,136.8	40,825.0	43,627.1	41,155.5
Total Non-Current Assets	164,095.4	164,747.9	171,271.4	178,464.0	180,093.2
Short-term debt	7,330.6	6,275.6	5,775.6	6,525.6	5,525.6
Payables	12,830.7	14,215.4	13,664.7	14,282.8	15,047.8
Other current liabilities	12,677.3	13,477.1	13,946.6	14,046.2	14,146.3
Total Current Liabilities	32,838.6	33,968.1	33,387.0	34,854.7	34,719.6
Long-term debt	54,439.6	51,131.0	50,631.0	51,381.0	50,381.0
Other non-current liabilities	56,382.7	57,387.3	61,626.5	65,870.4	65,119.2
Total Non-Current Liabilities	110,822.3	108,518.3	112,257.5	117,251.4	115,500.2
Shareholder's equity	58,825.8	60,371.1	61,892.8	63,450.9	64,990.7
Minority interest	2,256.9	2,198.6	2,311.9	2,427.9	2,544.9
Total Equity	61,082.7	62,569.7	64,204.7	65,878.8	67,535.6

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	3,373.6	5,814.8	5,665.4	5,797.6	5,851.3
Depreciation & amortisation	11,265.7	11,232.4	11,394.6	12,127.5	12,675.4
Changes in working capital	14,641.7	4,225.0	-608.7	135.9	275.7
Others	2,962.4	1,175.2	2,877.5	2,976.7	2,805.4
Operating cash flow	32,243.4	22,447.4	19,328.8	21,037.7	21,607.7
Capex	-10,599.2	-11,264.2	-13,000.0	-13,000.0	-13,000.0
Others	4,814.5	-330.8	0.0	0.0	0.0
Investing cash flow	-5,784.7	-11,595.0	-13,000.0	-13,000.0	-13,000.0
Dividends paid	-2,537.5	-3,073.7	-2,670.7	-2,732.1	-2,790.2
Others	-10,774.3	-9,678.2	-7,342.5	-4,979.2	-8,304.3
Financing cash flow	-13,311.8	-12,751.9	-10,013.2	-7,711.2	-11,094.5
Net cash flow	13,146.9	-1,899.5	-3,684.4	326.4	-2,486.8
Forex	22.2	43.1	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	4,056.1	17,225.2	19,601.1	15,916.7	16,243.2
Ending cash	17,225.2	15,368.8	15,916.7	16,243.2	13,756.4

Figure 1: Benchmark Newcastle Coal Prices



Source: Bloomberg, Apex Securities

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★	Scope 1 and Scope 2 GHG emissions totaled 39.3m tCO ₂ e in 2023, marking a 1.1% yoy increase from 2022. TENAGA aims to reduce its GHG emissions intensity by 35% by 2035 and achieve Net Zero Emissions by 2050.
Waste & Effluent	★★★★	Implemented the Scheduled Waste Roadmap 2018-2030 to strengthen hazardous waste management. In 2023, a 47% recycling rate for hazardous waste was achieved, surpassing the 30% target set for 2025.
Energy	★★	Generation mix in 2023 remained dominated by fossil fuels, with coal accounting for 41.7% and gas 32.4%. The Group plans to reduce its coal capacity by 50% by 2035 and fully phase it out by 2050. In 2023, TENAGA's renewable energy capacity reached 4.4GW, reflecting a 15.7% yoy increase, though still significantly below its target of 8.3GW by 2025.
Water	★★	In power generation operations, 80% of water consumption is used for steam generation and power plant cooling systems. Total water consumed amounted to 10,096 ML in 2023, reflecting a 4.1% yoy reduction.
Compliance	★★★	The Group is in compliance with local and international environmental regulations.

Social

Diversity	★★★★	Established the TNB Diversity & Inclusion policy in 2022. As of 2023, 15% of non-executive staff and 41% of executive staff are female.
Human Rights	★★	TENAGA is poised to introduce the Group's comprehensive stance on labour rights.
Occupational Safety and Health	★★	In 2023, four work-related fatalities were reported. The Lost Time Incident Rate (LTIR) stood at 0.74, below the target of 1.0.
Labour Practices	★★★	TENAGA complies with all relevant labor laws and supports the rights to freedom of association and collective bargaining.

Governance

CSR Strategy	★★★★★	Aspire to bring positive impact to the community by allocating 1% of its PAT for various corporate responsibility programmes. In 2023, the Group invested over RM99m in community initiatives.
Management	★★★	In 2023, women made up 26% of the senior management team, falling short of the 30% female representation target set for 2025. Among the board members, 42% (5 out of 12) were female, while 50% (6 out of 12) were independent directors.
Stakeholders	★★★★★	Regularly engages with stakeholders to understand and address their needs. For instance, the Group organises annual one-to-one engagements with NGOs, annual feedback sessions with government bodies and regulators, annual general meeting (AGM) for investors, and quarterly results briefings for analysts.

Overall ESG Scoring: ★★★

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to -10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to -10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.

As of **Monday, 03 Mar, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.