

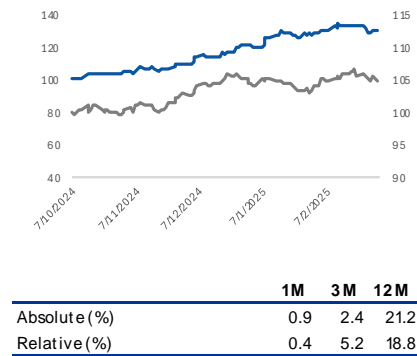
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<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM 13.70
Previous Target Price:	RM 16.04
Target Price:	↔ RM 16.04
Capital Upside/ Downside:	17.1%
Dividend Yield (%):	3.4%
<b>Total Upside/ Downside:</b>	<b>20.5%</b>

<b>Stock information</b>	
Board	MAIN
Sector	Utilities
Bursa/ Bloomberg Code	5347/ TNB MK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	5,812.9
Market Cap (RM' m)	79,637.4
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

<b>Top 3 Shareholders</b>	
	(%)
Amanah Saham Nasional Bhd	21.2
Khazanah Nasional Bhd	20.9
Employees Provident Fund Board	19.3

**Share Price Performance**



# Tenaga Nasional Berhad

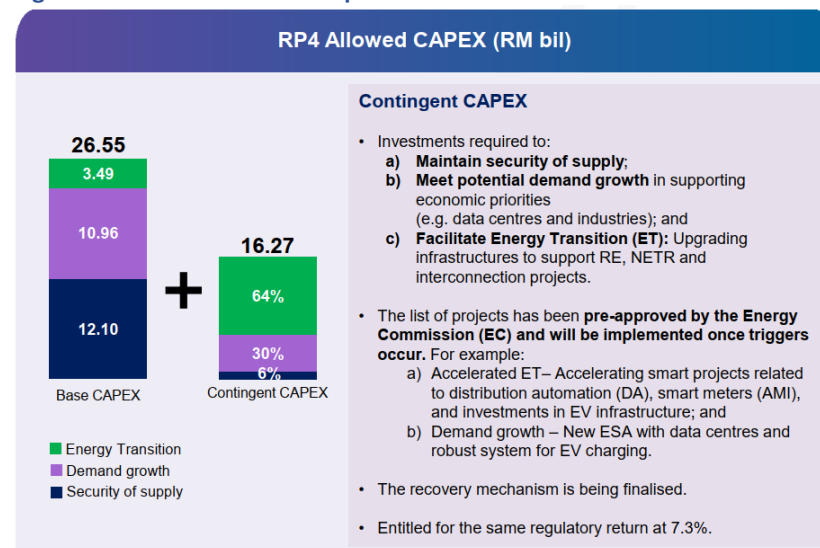
## Confident in Capex Execution Amid Energy Transition

### Executive Summary

- We left TENAGA's analyst briefing with the following key takeaways:
  - Management is confident in securing 60%-70% of the contingent Capex in RP4.
  - RM20bn Capex is targeted in 2025, while electricity demand growth is projected at 3.5%-4.5%.
  - Electricity demand remains robust, driven by data centre growth.
- No change to earnings forecasts.
- Reiterate BUY recommendation with an unchanged TP of RM16.04 based on DCF valuation (WACC: 7.1%, g: 2.0%), and appraised with a three-star ESG rating.

**Confident in Securing 60%-70% of Contingent Capex.** Management has disclosed further details on RP4's capital expenditure (Capex) (Figure 1). To recap, RP4's approved Capex includes RM26.6bn in base capex and RM16.3bn in contingent Capex. The base Capex has already been factored into the base tariff of 45.62sen/kWh announced for RP4 (Figure 2). Meanwhile, contingent Capex will only be implemented upon reaching specific triggering points. For instance, if demand for smart meters increases, TENAGA can install additional smart meters once conditions are met. The recovery mechanism for contingent Capex is still under discussion with the Energy Commission, but one certainty is that the regulated rate of return (WACC) will remain at 7.3%. As shown in Figure 1, 64% of the contingent Capex is allocated to energy transition initiatives (distribution automation, smart meters, EV infrastructure), 30% is designated for meeting potential demand growth (data centres, EV charging), while the remaining 6% is earmarked for ensuring security of supply. Management is confident of securing 60%-70% of contingent Capex over the next three years of RP4.

Figure 1: Breakdown of RP4 Capex



Source: Company, Apex Securities

**RM20bn Capex Targeted in 2025.** For 2025, electricity demand growth is projected at 3.5%-4.5%, slightly below the forecasted GDP growth of 4.5%-5.5%. Management has guided a total Capex of c.RM20bn, comprising RM10bn regulated Capex, RM8bn unregulated Capex and RM1bn-RM2bn contingent Capex. Meanwhile, with coal prices trending down (Figure 3) and the coal price forecast revised higher to USD97/MT in RP4 (vs USD79/MT in RP3) (Figure 2), ICPT receivables from the government should be lower than during RP3, thereby freeing up additional cash flow for TENAGA to fund the RM20bn Capex target in 2025. Notably, TENAGA has already received RM3.0bn out of RM3.4bn ICPT receivables for the period Jan 2024 to Dec 2024 (government portion), demonstrating that the IBR framework remains intact.

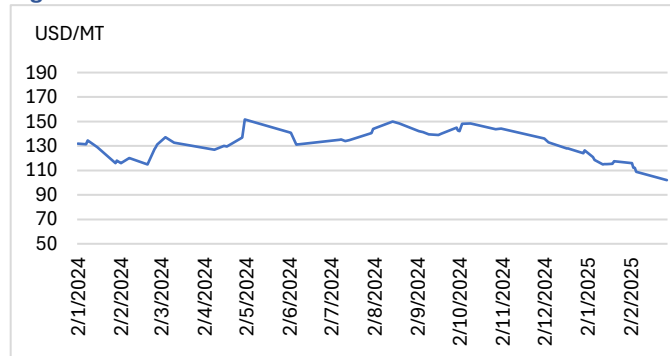
Figure 2: RP3 and RP4 Parameters

Parameter	RP3 (2022-2024)	RP4 (2025-2027)
Base Tariff (sen/kWh)	39.95	45.62
WACC	7.3%	7.3%
Base Capex (RM bn)	20.6	26.6
Contingent Capex (RM bn)	0.0	16.3
Allowed Opex (RM bn)	18.0	20.8
Coal Price Forecast (USD/MT)	79.0	97.0
Gas Price Forecast (RM/mmBTU) *	T1: 24-30 T2: 33	T1: 24-35 T2: 46

\*T1: ≤800mmscfd, T2: >800mmscfd

Source: Company, Apex Securities

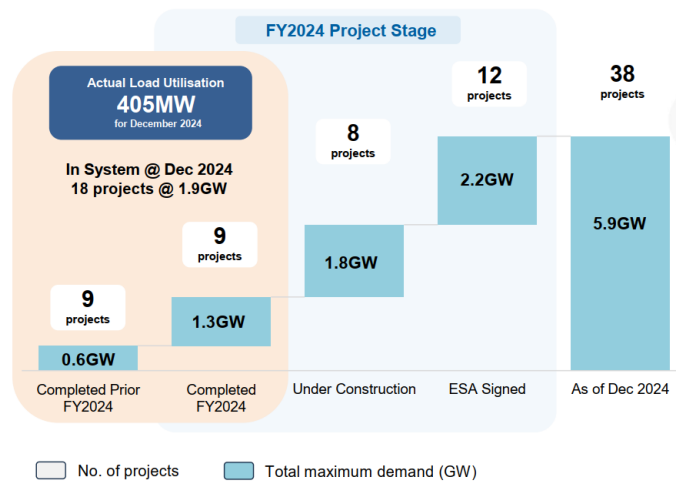
Figure 3: Newcastle Coal Prices



Source: Bloomberg, Apex Securities

**Demand Remains Robust, Driven by Data Centre Growth.** Cumulatively, TENAGA has secured electricity supply agreements (ESA) for data centre projects with a total maximum demand of 5.9GW (Figure 4). In 2024, the Group completed 9 projects with maximum demand of 1.3GW, bringing the total completed projects to 1.9GW. As of Dec 2024, load utilization of the data centres stood at 405MW, while the latest figure has increased to c.700MW. Despite concerns regarding the AI Diffusion Framework, which restricts exports of advanced GPU chip, and the rollout of Deepseek, management has stated that there is no indication of slowing data centre growth in Malaysia. TENAGA aims to complete 5 projects with a total maximum demand of 1.3GW in 2025.

Figure 4: Data Centre Achievements in 2024



Source: Company, Apex Securities

Figure 5: Pipeline RE Projects

Projects			
GenCo	Hybrid Hydro-Floating Solar (HHFS) Kenyar Hydro dam (1 <sup>st</sup> phase)	~2,900MWp by 2030	COD: 2026 (150MWp)
	Sungai Perak Hydro Life Extension Programme	~700MW by 2033	COD: 1st unit 2026 (8MW)
	Nenggiri Hydro Project	300MW	COD: 2QFY2027
	Paka Repowering	1,400MW	COD: 2029
	Co-firing of Hydrogen & Ammonia		
NED	Solar Greenfield Development (UK)	102MWp	COD: 2QFY2025
	Corporate Green Power Programme (CGPP)	135MWp	COD: 4QFY2025
	Centralised Solar Park (CSP) (5 x 150MWp)	750MWp	COD: 2026
	LSS Sabah Programme	23MWp (15MWac)	COD: 2026
	Large Scale Solar 5 (LSS5) Programme	666MWp (500MWac)	COD: 2027

Source: Company, Apex Securities

**Earnings Revision.** No change to earnings forecasts.

**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 based on 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.

## Financial Highlights

### Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Revenue</b>	<b>53,066.9</b>	<b>56,737.1</b>	<b>68,433.7</b>	<b>71,627.5</b>	<b>74,837.3</b>
ICPT	10,598.2	9,097.7	0.0	0.0	0.0
<b>EBITDA</b>	<b>18,622.6</b>	<b>19,952.5</b>	<b>20,749.7</b>	<b>22,691.3</b>	<b>23,821.0</b>
Depreciation & Amortisation	-11,265.7	-11,232.4	-11,394.6	-12,726.9	-13,574.1
<b>EBIT</b>	<b>7,356.9</b>	<b>8,720.1</b>	<b>9,355.0</b>	<b>9,964.4</b>	<b>10,246.9</b>
Net Finance Income/(Cost)	-3,786.8	-3,469.1	-3,795.0	-4,277.8	-4,490.3
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
<b>Pre-tax Profit</b>	<b>3,373.6</b>	<b>5,814.8</b>	<b>5,665.4</b>	<b>5,797.6</b>	<b>5,851.2</b>
Tax	-770.0	-1,085.2	-1,359.7	-1,391.4	-1,404.3
<b>Profit After Tax</b>	<b>2,603.6</b>	<b>4,729.6</b>	<b>4,305.7</b>	<b>4,406.2</b>	<b>4,446.9</b>
(-) Minority Interest	-166.7	31.0	113.3	116.0	117.0
<b>Net Profit</b>	<b>2,770.3</b>	<b>4,698.6</b>	<b>4,192.4</b>	<b>4,290.2</b>	<b>4,329.9</b>
(-) Exceptionals	-299.0	936.0	0.0	0.0	0.0
<b>Core Net Profit #</b>	<b>3,069.3</b>	<b>3,762.6</b>	<b>4,192.4</b>	<b>4,290.2</b>	<b>4,329.9</b>

### Key Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	48.0	81.0	72.1	73.8	74.5
P/E (x)	28.5	16.9	19.0	18.6	18.4
P/B (x)	1.3	1.3	1.3	1.3	1.2
EV/EBITDA (x)	8.2	7.3	7.7	7.5	7.3
DPS (sen)	46.0	51.0	47.0	48.0	48.0
Dividend Yield (%)	3.4%	3.7%	3.4%	3.5%	3.5%
EBITDA margin (%) ^	29.3%	30.3%	30.3%	31.7%	31.8%
EBIT margin (%) ^	11.6%	13.2%	13.7%	13.9%	13.7%
PBT margin (%) ^	5.3%	8.8%	8.3%	8.1%	7.8%
PAT margin (%) ^	4.1%	7.2%	6.3%	6.2%	5.9%
NP margin (%) ^	4.4%	7.1%	6.1%	6.0%	5.8%
CNP margin (%) ^	4.8%	5.7%	6.1%	6.0%	5.8%
ROE (%)	4.7%	7.8%	6.8%	6.8%	6.7%
ROA (%)	1.4%	2.3%	2.0%	1.9%	1.9%
Gearing (%) *	151.6%	137.6%	141.9%	152.0%	154.2%
Net gearing (%) *	117.3%	105.6%	124.2%	135.9%	138.1%

^ ICPT included in the calculation of profitability margins

\* Gearing ratios and EV include lease liabilities as debt

# Core profit is not adjusted for MFRS 16

DCF Valuation	Value (RM m)	Valuation method
Enterprise Value	175,551.1	WACC: 7.1%, g: 2.0%
(-) Net Debt/(Cash)	79,758.9	
(-) Minority Interests	2,311.9	
<b>Total Equity Value</b>	<b>93,480.3</b>	
Enlarged share base (m share)	5,826.9	
<b>Equity Value/share (RM)</b>	<b>16.04</b>	
ESG premium/discount	0.0%	
<b>Fair Value (RM)</b>	<b>16.04</b>	

Source: Company, Apex Securities

### Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	19,390.5	19,601.1	10,912.4	10,119.0	10,377.9
Receivables	10,408.2	10,857.4	12,374.3	12,755.6	13,122.2
Inventories	2,758.0	2,543.6	2,398.0	2,459.7	2,562.2
Other current assets	8,091.5	7,306.1	7,706.1	7,828.3	7,951.1
<b>Total Current Assets</b>	<b>40,648.2</b>	<b>40,308.2</b>	<b>33,390.8</b>	<b>33,162.6</b>	<b>34,013.4</b>
Fixed Assets	121,932.1	125,611.1	137,446.4	146,237.5	154,439.6
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	42,163.3	39,136.8	40,781.9	43,582.5	41,109.6
<b>Total Non-Current Assets</b>	<b>164,095.4</b>	<b>164,747.9</b>	<b>178,228.2</b>	<b>189,820.0</b>	<b>195,549.1</b>
Short-term debt	7,330.6	6,275.6	6,775.6	9,275.6	11,775.6
Payables	12,830.7	14,215.4	13,455.2	13,801.8	14,376.8
Other current liabilities	12,677.3	13,477.1	13,926.1	14,025.0	14,124.4
<b>Total Current Liabilities</b>	<b>32,838.6</b>	<b>33,968.1</b>	<b>34,156.9</b>	<b>37,102.4</b>	<b>40,276.8</b>
Long-term debt	54,439.6	51,131.0	51,631.0	54,131.0	56,631.0
Other non-current liabilities	56,382.7	57,387.3	61,626.5	65,870.4	65,119.2
<b>Total Non-Current Liabilities</b>	<b>110,822.3</b>	<b>108,518.3</b>	<b>113,257.5</b>	<b>120,001.4</b>	<b>121,750.2</b>
Shareholder's equity	58,825.8	60,371.1	61,892.8	63,450.9	64,990.6
Minority interest	2,256.9	2,198.6	2,311.9	2,427.9	2,544.9
<b>Total Equity</b>	<b>61,082.7</b>	<b>62,569.7</b>	<b>64,204.7</b>	<b>65,878.8</b>	<b>67,535.5</b>

### Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Pre-tax profit</b>	<b>3,373.6</b>	<b>5,814.8</b>	<b>5,665.4</b>	<b>5,797.6</b>	<b>5,851.2</b>
Depreciation & amortisation	11,265.7	11,232.4	11,394.6	12,726.9	13,574.1
Changes in working capital	14,641.7	4,225.0	-613.0	-83.4	122.7
Others	2,962.4	1,175.2	2,971.5	3,229.7	3,392.9
<b>Operating cash flow</b>	<b>32,243.4</b>	<b>22,447.4</b>	<b>19,418.5</b>	<b>21,670.8</b>	<b>22,940.9</b>
Capex	-10,599.2	-11,264.2	-20,000.0	-18,000.0	-18,000.0
Others	4,814.5	-330.8	0.0	0.0	0.0
<b>Investing cash flow</b>	<b>-5,784.7</b>	<b>-11,595.0</b>	<b>-20,000.0</b>	<b>-18,000.0</b>	<b>-18,000.0</b>
Dividends paid	-2,537.5	-3,073.7	-2,670.7	-2,732.1	-2,790.2
Others	-10,774.3	-9,678.2	-5,436.5	-1,732.2	-1,891.8
<b>Financing cash flow</b>	<b>-13,311.8</b>	<b>-12,751.9</b>	<b>-8,107.2</b>	<b>-4,464.2</b>	<b>-4,682.0</b>
<b>Net cash flow</b>	<b>13,146.9</b>	<b>-1,899.5</b>	<b>-8,688.7</b>	<b>-793.4</b>	<b>258.9</b>
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	10,912.4	10,119.0
<b>Ending cash</b>	<b>17,225.2</b>	<b>15,368.8</b>	<b>10,912.4</b>	<b>10,119.0</b>	<b>10,377.9</b>

## ESG Matrix Framework:

### Environment

Parameters	Rating	Comments
Climate	★★	Scope 1 and Scope 2 GHG emissions totaled 39.3m tCO <sub>2</sub> 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

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(a) nil.