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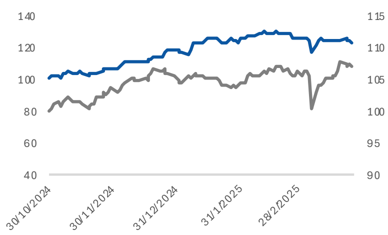
Recommendation:		**BUY**
Current Price:		RM 13.56
Previous Target Price:		RM 16.04
Target Price:	↔	RM 16.04
Capital Upside/Downside:		18.3%
Dividend Yield (%):		3.5%
Total Upside/Downside:		**21.8%**

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)	78,823.6
52-Week Price Range (RM)	15.24-11.08
Beta (x)	1.1
Free float (%)	53.5
3M Average Volume (m)	7.2
3M Average Value (RM' m)	99.1

Top 3 Shareholders	**(%)**
Amanah Saham Nasional Bhd	21.1
Khazanah Nasional Bhd	20.9
Employees Provident Fund Board	19.9

Share Price Performance



	1M	3M	12M
Absolute (%)	0.0	-8.0	20.6
Relative (%)	2.5	-2.5	20.2

Tenaga Nasional Berhad

Powering Ahead with Stability and Growth

Executive Summary

- **We left our recent engagement with TENAGA confident on its outlook, supported by the following key points:**
  - **(i) Robust data centre demand, with several ESAs signed in 2025.**
  - **(ii) Additional growth potential from electricity export to Singapore, alongside resilient domestic demand.**
  - **(iii) Stable earnings under RP4, with potential upside from contingent Capex.**
  - **(iv) Management's confidence in sustaining dividend payout above 50%.**
- **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, implying a valuation of 22x FY25 EPS.**

Data Centre Demand Holds, with Several ESAs Signed in 2025. Despite concerns over data centre growth following the AI diffusion framework and the rollout of DeepSeek, TENAGA has not observed any noticeable slowdown in data centre enquiries. At least 3 new electricity supply agreements (ESAs) have been signed YTD. In addition, more than 90% of newly established data centres are unrelated to AI, limiting exposure to the impact of advanced chip export bans. Most of these data centres are owned or operated by non-Chinese entities, with Chinese companies accounting for less than 10% of the overall demand.

Demand Upside from Export to Singapore. Beyond domestic demand, there is potential upside from electricity exports to Singapore, which plans to import 6GW of low-carbon electricity by 2035. Currently, Malaysia has a 1GW interconnection with Singapore under the regulated asset base (RAB), which does not generate additional profit even if demand increases. However, discussions are ongoing to finalise the commercial terms for a new interconnection that will fall outside the RAB. This is positive for TENAGA, as it removes the profit cap imposed by the regulatory framework.

Earnings Stable under RP4, with Upside from Contingent Capex. Under the IBR framework, any shortfall in demand growth compared to projections can be recovered through tariff adjustments in the upcoming Regulatory Period (RP). The last time this mechanism was triggered was during Covid-19 lockdown in RP2 (2018-2020). Notably, only 5.9GW of demand from 38 projects with signed ESAs is included in the base Capex and base tariffs under RP4. The new ESAs signed since the beginning of the year are classified as contingent Capex, offering earnings upside. Should actual demand exceed the assumptions under contingent Capex, TENAGA can recover the additional Capex through the "Unexpected Capex" mechanism. A precedent for this was seen during RP3, when the mechanism was used to accommodate higher-than-expected demand for transmission and distribution infrastructure driven by data centres.

Contingent Capex Recovery May Involve Revenue-Cap Revisions. The recovery mechanism for contingent Capex remains under discussion. One viable option being considered is a revenue-cap adjustment, which would increase TENAGA's allowed revenue without affecting end-user tariffs. With at least one project expected to meet the triggering condition for contingent Capex in 1QFY25, further clarity on the recovery framework may be provided during the upcoming 1QFY25 results briefing. Recap that management is confident in securing 60%-70% of the contingent Capex in RP4.

Confident in Maintaining Decent Dividend Payout. While coal price forecast was raised from USD79/MT in RP3 to USD97/MT in RP4, this is still significantly lower than USD115/MT average delivered coal price in 4QFY24 (Figure 1). This could result in high ICPT receivables if the ICPT surcharge is insufficient to cover actual fuel costs. Additionally, expected Capex is set to balloon to c.RM20bn in 2025 (2024: RM11.3bn), which may pressure TENAGA's cash flow. Nonetheless, the Group is confident in its ability to fund both working capital and Capex, supported by a RM6bn government guarantee facility available until 2029 for working capital purposes, as well as drawing down borrowings to fund for the Capex. Overall, the group is confident in maintaining a dividend payout of above 50%, consistent with its track record over the past eight years. Notably, the FY24 dividend payout ratio was 59.6% of adjusted PATAMI, at the upper end of its 30%-60% dividend policy.

Figure 1: 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
USD/MYR Forecast	4.1	4.4
Coal Price Forecast (RM/MT)	325.7	426.8
Gas Price Forecast (RM/mmBTU) *	T1: 24-30	T1: 24-35
	T2: 33	T2: 46

**T1: ≤800mmscfd, T2: >800mmscfd*
Source: Company, Apex Securities

New BESS Projects to Mirror PPA Model. TENAGA's Battery Energy Storage System (BESS) pilot project under the RAB in RP4 is currently in the tender stage, with an award expected next month. In contrast, new BESS projects initiated by the Ministry of Energy Transition and Water Transformation (Petra) will not fall under the RAB. These projects are expected to adopt a structure similar to the PPAs, where developers invest in the assets and recover their costs by selling electricity to the grid at a fixed tariff over a concession period. TENAGA has participated in the tender process for the new BESS projects.

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%), implying a valuation of 22x FY25 EPS. 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.

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	**53,066.9**	**56,737.1**	**68,433.7**	**71,627.5**	**74,837.3**
ICPT	10,598.2	9,097.7	0.0	0.0	0.0
EBITDA	**18,622.6**	**19,952.5**	**20,749.7**	**22,691.3**	**23,821.0**
Depreciation & Amortisation	-11,265.7	-11,232.4	-11,394.6	-12,726.9	-13,574.1
EBIT	**7,356.9**	**8,720.1**	**9,355.0**	**9,964.4**	**10,246.9**
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
Pre-tax Profit	**3,373.6**	**5,814.8**	**5,665.4**	**5,797.6**	**5,851.2**
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**	**4,446.9**
(-) 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	16.7	18.8	18.4	18.2
P/B (x)	1.3	1.3	1.3	1.2	1.2
EV/EBITDA (x)	8.1	7.3	7.7	7.4	7.2
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%	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 (%)	101.1%	91.7%	91.0%	96.2%	101.3%
Net gearing (%)	66.7%	59.7%	73.3%	80.2%	85.3%

^ ICPT included in the calculatation of profitability margins

** Core profit is not adjusted for MFRS16*

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	
Total Equity Value	**93,480.3**	
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	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
Total Current Assets	**40,648.2**	**40,308.2**	**33,390.8**	**33,162.6**	**34,013.4**
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
Total Non-Current Assets	**164,095.4**	**164,747.9**	**178,228.2**	**189,820.0**	**195,549.1**
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
Total Current Liabilities	**32,838.6**	**33,968.1**	**34,156.9**	**37,102.4**	**40,276.8**
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
Total Non-Current Liabilities	**110,822.3**	**108,518.3**	**113,257.5**	**120,001.4**	**121,750.2**
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
Total Equity	**61,082.7**	**62,569.7**	**64,204.7**	**65,878.8**	**67,535.5**

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**	**5,851.2**
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
Operating cash flow	**32,243.4**	**22,447.4**	**19,418.5**	**21,670.8**	**22,940.9**
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
Investing cash flow	**-5,784.7**	**-11,595.0**	**-20,000.0**	**-18,000.0**	**-18,000.0**
Dividends paid	-2,537.5	-3,073.7	-2,670.7	-2,732.1	-2,790.2
Others	-10,774.3	-9,678.2	-5,436.5	-1,732.2	-1,891.8
Financing cash flow	**-13,311.8**	**-12,751.9**	**-8,107.2**	**-4,464.2**	**-4,682.0**
Net cash flow	**13,146.9**	**-1,899.5**	**-8,688.7**	**-793.4**	**258.9**
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
Ending cash	**17,225.2**	**15,368.8**	**10,912.4**	**10,119.0**	**10,377.9**

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★	Scope 1 and Scope 2 GHG emissions totaled 39.3m tCO^2e 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 + dividend yield

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

As of **Friday, 28 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.