

Ong Tze Hern

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<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM 14.00
Previous Target Price:	RM 16.04
Target Price:	↔ RM 16.04
Capital Upside/Downside:	14.6%
Dividend Yield (%):	3.4%
<b>Total Upside/Downside:</b>	<b>17.9%</b>

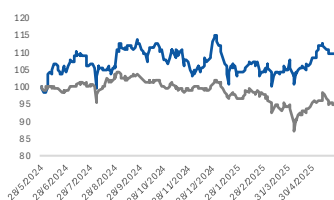
**Stock information**

Board	MAIN
Sector	Utilities
Bursa / Bloomberg Code	5347 / TNB MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	5,829.1
Market Cap (RM' m)	81,608.0
52-Week Price Range (RM)	15.24-12.66
Beta (x)	1.0
Free float (%)	53.9
3M Average Volume (m)	7.1
3M Average Value (RM' m)	96.8

**Top 3 Shareholders**

(%)

Khazanah Nasional Bhd	20.9
Amanah Saham Nasional Bhd	20.8
Employees Provident Fund Board	19.9

**Share Price Performance**

	1M	3M	12M
Absolute (%)	2.9	2.9	5.6
Relative (%)	2.6	6.2	11.8

**Earnings Summary**

FYE Dec (RM m)	FY24	FY25F	FY26F
Revenue	56,737.1	68,433.7	71,627.5
PATAMI	4,698.6	4,192.4	4,290.2
CNP	3,762.6	4,192.4	4,290.2
Core EPS (sen)	64.9	72.1	73.8
PE(x)	17.3	19.4	19.0

Source: Company, Apex Securities

# Tenaga Nasional Berhad

## Earnings Meet Expectations

- **TENAGA's 1QFY25 core net profit of RM1.1bn (+52.5% qoq, +10.3% yoy) was in line with expectations, accounting for 26% of our and 22% of consensus full-year forecasts.**
- **1QFY25 CNP rose 10.3% yoy, in line with a 17.6% revenue growth, driven by the higher base tariff effective 1 Jan 2025, which reflects the higher allowed return.**
- **Looking ahead, we expect yoy earnings growth to be supported by higher allowed Capex under RP4, which would expand the RAB and consequently the allowed return for the regulated business.**
- **Further upside potential arises from the deployment of contingent Capex, where management is confident of securing 60%-70% of the allocation under RP4.**
- **No change to our earnings forecasts. 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.** Excluding exceptional items, such as net forex gain (-RM38.9m), net impairment of receivables (+RM23.3m), net provision/write-off of inventories (+RM30.1m), and other adjustments (-RM2.4m), TENAGA's 1QFY25 core net profit (CNP) of RM1.1bn (+52.5% qoq, +10.3% yoy) was in line with expectations, accounting for 26% of our and 22% of consensus full-year forecasts.

**YoY.** 1QFY25 CNP rose 10.3% yoy, in line with a 17.6% increase in revenue, driven by higher base tariff effective 1 Jan 2025. The base tariff hike reflects the expanded regulated asset base (RAB) and the corresponding higher allowed return. This more than offset the rise in non-generation operating expenses (+3.2% yoy) due to higher staff, maintenance and depreciation expenses. Notably, ICPT recorded an over-recovery of RM175.2m (vs under-recovery of RM2.4bn in 1QFY24) as the new base tariff for RP4 assumes higher fuel costs, while the actual fuel costs during the quarter was lower. Meanwhile, Genco turned around from a LAT of RM80.4m in 1QFY24 to PAT of RM25.4m in 1QFY25, despite a higher negative fuel margin of c.RM33.7m (vs negative fuel margin of RM25.8m in 1QFY24). This turnaround was primarily driven by the additional capacity income for Manjung 4 following its resumption of operation on 5 Nov 2024.

**QoQ.** CNP surged 52.5% qoq, supported by 11.5% increase in revenue due to higher base tariff, lower maintenance costs (-20.0% qoq) and reduced general expenses (-45.5% qoq). The higher general expenses in 4QFY24 were attributed to increased training activities and ICT related costs. Genco recorded a turnaround from LAT of RM247.4m to a PAT of RM25.4m, supported by reduced negative fuel margins (4QFY24: -RM61.8m vs 1QFY25: -RM33.7m) and the resumption of capacity income for Manjung 4.

**Electricity Demand Growth Lacklustre despite Commercial Growth.** 1QFY25 electricity demand growth was lacklustre, declining by 1.2% yoy, due to lower Domestic (-4.0% yoy) and Industrial (-5.5% yoy) demand. However, the Commercial sector saw a robust increase of 5.1% yoy, likely driven by a step-loaded increase in data centre demands.

**Outlook.** Looking ahead, we expect yoy earnings growth to be supported by higher allowed Capex under RP4, which would expand the RAB and consequently the allowed return for the regulated business. Further upside potential arises from the deployment of contingent Capex, where management is confident of securing 60%-70% of the allocation under RP4. With benchmark Newcastle coal prices stabilising since April (Figure 1), the domestic power generation business is expected to report less negative fuel margins in the upcoming quarter.

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

**Valuation and Recommendation.** Reiterate **BUY** with an 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

# Results Note

Wednesday, 28 May, 2025

demand, ongoing energy transition under the NETR, which requires significant grid investment and modernisation, and potential growth from low-carbon electricity exports to Singapore.

**Risk.** Sharp plunge in coal prices, unplanned shutdowns of power plants, weakening of Ringgit, policy risks.

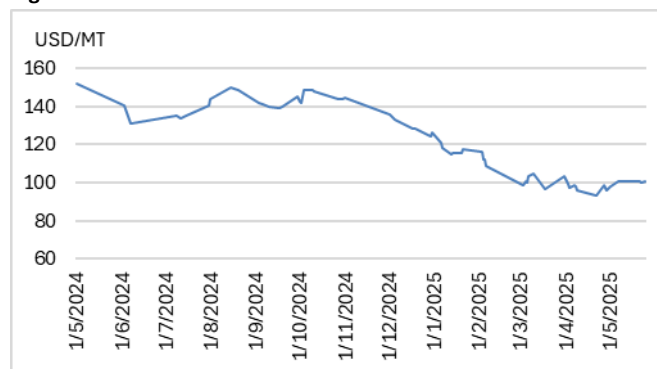
## Results Comparison

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	Comments
Revenue	16,038.7	13,640.4	17.6	14,378.3	11.5	Grew due to base tariff hike (funded through KWIE)
ICPT	(175.2)	2,353.0	nm	1,726.1	nm	ICPT over-recovery as fuel cost came below forecast
Operating expenses (exclusive of depreciation)	(10,839.2)	(11,302.4)	(4.1)	(11,685.5)	(7.2)	
Net loss on impairment of financial instruments	(18.6)	(59.4)	(68.7)	771.3	nm	
Other operating income	181.3	173.4	4.6	363.4	(50.1)	
<b>EBITDA</b>	<b>5,187.0</b>	<b>4,805.0</b>	<b>8.0</b>	<b>5,553.6</b>	<b>(6.6)</b>	
Depreciation	(2,865.3)	(2,780.2)	3.1	(2,711.9)	5.7	
<b>EBIT</b>	<b>2,321.7</b>	<b>2,024.8</b>	<b>14.7</b>	<b>2,841.7</b>	<b>(18.3)</b>	
Forex gain / (loss)	38.9	(171.3)	nm	(604.5)	nm	Forex gain in 1QFY25 due to strengthening of Ringgit
Finance income	170.4	156.2	9.1	183.3	(7.0)	
Finance costs	(969.9)	(1,027.1)	(5.6)	(1,078.4)	(10.1)	
FV changes of financial instruments	(26.5)	27.6	nm	(6.1)	334.4	
Share of results of JVs & associates	19.6	19.6	-	(193.3)	nm	Derecognition of share of profit from associate
<b>Pre-tax profit</b>	<b>1,554.2</b>	<b>1,029.8</b>	<b>50.9</b>	<b>1,142.7</b>	<b>36.0</b>	in Türkiye in 4QFY24 (hyperinflationary accounting)
Taxation & zakat	(513.4)	(351.9)	45.9	(234.9)	118.6	Higher tax expense from profit improvement and
<b>Profit after tax</b>	<b>1,040.8</b>	<b>677.9</b>	<b>53.5</b>	<b>907.8</b>	<b>14.7</b>	cessation of reinvestment allowance in 2025
(-) Minority interest	(17.2)	(37.8)	(54.5)	(46.7)	(63.2)	
<b>Net profit</b>	<b>1,058.0</b>	<b>715.7</b>	<b>47.8</b>	<b>954.5</b>	<b>10.8</b>	
<b>Core net profit *</b>	<b>1,070.1</b>	<b>970.6</b>	<b>10.3</b>	<b>701.5</b>	<b>52.5</b>	
Core EPS (sen)	18.4	16.8	9.8	12.1	52.2	
DPS (sen)	-	-	-	26.0	(100.0)	
			%-pts		%-pts	
EBITDA margin (%)	32.3%	35.2%	-2.9%	38.6%	-6.3%	
PBT margin (%)	9.7%	7.5%	2.1%	7.9%	1.7%	
Effective tax rate (%)	33.0%	34.2%	-1.1%	20.6%	12.5%	
Core net profit margin (%)	6.7%	7.1%	-0.4%	4.9%	1.8%	

\* Core profit is not adjusted for MFRS16

Source: Company, Apex Securities

Figure 1: Benchmark Newcastle Coal Prices



Source: Bloomberg, Apex Securities

# Results Note

Wednesday, 28 May, 2025

## 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 Financial Metrics

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Revenue Growth (%)	4.3%	6.9%	20.6%	4.7%	4.5%
EPS (sen)	48.0	81.0	72.1	73.8	74.5
Core EPS (sen)	53.2	64.9	72.1	73.8	74.5
Core EPS Growth (%)	-22.4%	22.0%	11.2%	2.3%	0.9%
DPS (sen)	46.0	51.0	47.0	48.0	48.0
Dividend Yield (%)	3.3%	3.6%	3.4%	3.4%	3.4%
P/E (x)	29.2	17.3	19.4	19.0	18.8
P/B (x)	1.4	1.3	1.3	1.3	1.3
EV/EBITDA (x)	8.4	7.5	7.9	7.7	7.5
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 calculation of profitability margins

\* Core profit is not adjusted for MFRS 16

# Gearing does not include lease liabilities

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
Deposits, banks & cash balances	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>
Shareholders' 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>

# Debts do not include lease liabilities

### 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	1,106.1	7,359.8	3,229.7	3,392.9
<b>Operating cash flow</b>	<b>32,243.4</b>	<b>22,378.3</b>	<b>23,806.8</b>	<b>21,670.8</b>	<b>22,940.9</b>
Capex	-10,599.2	-11,184.2	-20,000.0	-18,000.0	-18,000.0
Others	4,844.5	-153.2	0.0	0.0	0.0
<b>Investing cash flow</b>	<b>-5,784.7</b>	<b>-11,337.4</b>	<b>-20,000.0</b>	<b>-18,000.0</b>	<b>-18,000.0</b>
Dividends paid to shareholders	-2,537.5	-3,073.7	-2,670.7	-2,732.1	-2,790.2
Others	-10,774.3	-10,022.7	-5,436.5	-1,732.2	-1,891.8
<b>Financing cash flow</b>	<b>-13,311.8</b>	<b>-13,096.4</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>-2,055.5</b>	<b>-4,300.4</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 and cash equivalents	4,056.1	17,225.2	15,212.8	10,912.4	10,119.0
<b>Ending cash and cash equivalents</b>	<b>17,225.2</b>	<b>15,212.8</b>	<b>10,912.4</b>	<b>10,119.0</b>	<b>10,377.9</b>

# Results Note

Wednesday, 28 May, 2025

## 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 + 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

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As of **Wednesday, 28 May, 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.