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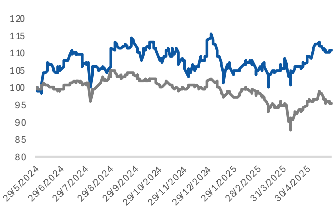
Recommendation:		BUY
Current Price:		RM 14.10
Previous Target Price:		RM 16.04
Target Price:	↔	RM 16.04
Capital Upside/Downside:		13.8%
Dividend Yield (%):		3.3%
Total Upside/Downside:		**17.1%**

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)	82,190.9
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)	97.0

Top 3 Shareholders	(%)
Khazanah Nasional Bhd	20.9
Amanah Saham Nasional Bhd	20.8
Employees Provident Fund Board	19.8

Share Price Performance



	1M	3M	12M
Absolute (%)	3.4	3.7	6.8
Relative (%)	2.8	7.2	12.6

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)	17.4	19.6	19.1

Source: Company, Apex Securities

Tenaga Nasional Berhad

Up to 2GW Additional ESAs for Data Centres Expected by Year End

- **The electricity demand slowdown in 1QFY25 is temporary, with improving demand observed in April and May 2025. Notably, a peak demand record of 20,752MW was achieved on 27 May.**
- **In 1QFY25 alone, TENAGA has already signed 5 ESAs for DC projects with a combined maximum demand of 666MW, and anticipates an additional 10 ESAs for DC projects (averaging 150MW-200MW each) to be signed by year-end.**
- **The recent RFP by the EC seeks up to 8GW of capacity across two categories, which TENAGA intends to bid for both.**
- **Management reaffirmed the RM20bn Capex target for 2025, comprising RM9bn-10bn of regulated base Capex, RM1bn-2bn of regulated contingent Capex, and RM8bn of unregulated Capex.**
- **No change to earnings forecasts. Reiterate BUY with an unchanged TP of RM16.04 based on DCF valuation (WACC: 7.1%, g: 2.0%).**

We left TENAGA's analyst briefing with the following key takeaways:

1QFY25 Electricity Demand Slowdown a Temporary Hiccup. In 1QFY25, electricity demand for Peninsular Malaysia declined 1.2% yoy and 3.0% qoq (Figure 1). Management attributed the yoy slowdown to lower demand in the electronics manufacturing subsector within the Industrial segment and weather-related reductions in consumption for Domestic segment. However, TENAGA believes the slowdown in 1QFY25 is temporary and has observed improving demand in April and May 2025. Notably, a new peak demand record of 20,752MW was achieved on 27 May 2025, marking the third such record for the month. TENAGA also reaffirm its electricity demand growth projection at 3.5%-4.5% for the year.

Figure 1: Electricity Demand by Sectors

Sector (GWh)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)
Industrial	10,592.0	11,210.0	*(5.5)*	11,162.0	*(5.1)*
Commercial	11,672.0	11,102.0	*5.1*	11,967.0	*(2.5)*
Domestic	8,575.0	8,932.0	*(4.0)*	8,650.0	*(0.9)*
Others	670.0	655.0	*2.3*	690.0	*(2.9)*
Total	**31,509.0**	**31,899.0**	***(1.2)***	**32,469.0**	***(3.0)***

Source: Company, Apex Securities

Up to 2GW Additional ESAs for Data Centres Expected by Year End. Despite concerns over a potential slowdown in data centre (DC) growth in Malaysia, TENAGA has already signed 5 Electricity Supply Agreements (ESAs) for DC projects with a combined maximum demand of 666MW in 1QFY25 alone. Management does not anticipate any slowdown and expects an additional 10 ESAs for DC projects (averaging 150MW-200MW each) to be signed by year-end.

Up to 8GW capacity from recent RFP by EC. Given the robust demand for electricity, the Energy Commission's (EC) recent Request for Proposal (RFP) for gas-fired power generation capacity is timely to ensure a healthy reserve margin, which currently stands at 33%, within the 20%-35% recommended by the IEA. To recap, the RFP contains 2 categories: Category 1 for extension of existing or additional generation capacity, and Category 2 for new generation capacity. Management disclosed that the RFP seeks up to 8GW of capacity across these two categories. From TENAGA's perspective, they intend to bid for both. Potential projects include the Gelugor plant (SLA expired in Aug 2024, based on GSO website) and the Putrajaya plant (SLA expiring in Aug 2025) for Category 1, as well as new capacity on the land beside Connaught Bridge plant for Category 2. Fortunately, the RFP by the EC will not affect initial Letter of Notification (iLON) already received for the Paka Repowering project.

Reaffirmed RM20bn Capex Target for 2025. During 1QFY25, 34% of the base capex forecasted for 2025 was utilised, along with RM128m of contingent Capex. The recovery mechanism for

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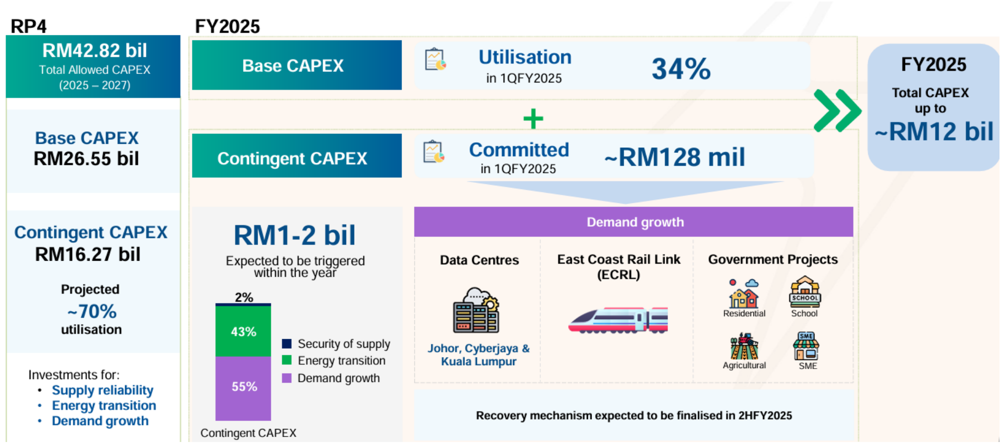
contingent Capex is expected to be finalised in 2HFY25, with management aiming to secure an automated recovery mechanism. One viable option we highlighted in our previous report is a revenue-cap adjustment, which would allow TENAGA to increase its allowed revenue without affecting end-user tariffs. Management has reaffirmed its RM20bn Capex target for 2025, comprising RM9bn-10bn of regulated base Capex, RM1bn-2bn of regulated contingent Capex, and RM8bn of unregulated Capex. Additionally, management remains confident of securing 70% of the contingent Capex over the next three years of RP4.

Figure 2: Utilisation of Regulated Capex



Source: Company

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 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.

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 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%	3.3%	3.4%	3.4%
P/E (x)	29.4	17.4	19.6	19.1	18.9
P/B (x)	1.4	1.4	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 calculatation of profitability margins

** Core profit is not adjusted for MFRS16*

 # 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	
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
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
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**
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
Total Equity	**61,082.7**	**62,569.7**	**64,204.7**	**65,878.8**	**67,535.5**

 # Debts do not include lease liabilties

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	1,106.1	7,359.8	3,229.7	3,392.9
Operating cash flow	**32,243.4**	**22,378.3**	**23,806.8**	**21,670.8**	**22,940.9**
Capex	-10,599.2	-11,184.2	-20,000.0	-18,000.0	-18,000.0
Others	4,814.5	-153.2	0.0	0.0	0.0
Investing cash flow	**-5,784.7**	**-11,337.4**	**-20,000.0**	**-18,000.0**	**-18,000.0**
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
Financing cash flow	**-13,311.8**	**-13,096.4**	**-8,107.2**	**-4,464.2**	**-4,682.0**
Net cash flow	**13,146.9**	**-2,055.5**	**-4,300.4**	**-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 and cash equivalents	4,056.1	17,225.2	15,212.8	10,912.4	10,119.0
Ending cash and cash equivalents	**17,225.2**	**15,212.8**	**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 **Thursday, 29 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.