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Power & Utilities Sector

Overweight (↔)

1QCY25 Earnings Review: No Surprises

- The sector delivered a set of results that were largely within expectations in 1QCY25. Of the 4 stocks under our coverage, only **MALAKOF** disappointed.
- Core net profit (CNP) for the sector rose 3.1% yoy, primarily driven by strong earnings growth from heavyweight **TENAGA**, underpinned by a higher allowable return under RP4.
- With RP4 parameters now finalised, we expect **TENAGA** to deliver resilient earnings in the coming quarters. **PETGAS** may face earnings pressure in the upcoming quarter, due to repair and asset restoration costs following the pipeline fire incident. With coal prices having stabilised, both **TENAGA** and **MALAKOF** stand to benefit from improved fuel margins. For **MFCB**, earnings are expected to strengthen in the remaining quarters of FY25, driven by the full commissioning of all five turbines at the DSHP in June 2025.
- We maintain our Overweight stance on the sector. Our top picks for the sector are **MFCB** (TP: RM5.43) and **TENAGA** (TP: RM16.04), given their resilient, domestic-focused earnings profiles, particularly appealing in light of rising global trade and policy uncertainties.

Sector Results Largely In Line. The Power & Utilities sector delivered a set of results that were largely within expectations in 1QCY25. Of the 4 stocks under our coverage, only **MALAKOF** disappointed, missing expectations due to lower-than-anticipated capacity income and higher-than-expected operating expenses.

YoY. CNP for the sector rose 3.1% yoy, primarily driven by strong earnings growth from heavyweight **TENAGA**, underpinned by a higher allowable return under RP4. The gain more than offset earnings contractions at **MALAKOF** (due to lower capacity income for Prai Power Plant) and **MFCB** (dragged by weaker performance in its Resources and Packaging segments).

QoQ. CNP for the sector jumped 27.2% qoq, led by earnings growth at **TENAGA** following the implementation of RP4 and at **MALAKOF**, driven by easing of negative fuel margins.

Outlook. With RP4 parameters now finalised, we expect **TENAGA** to deliver resilient earnings in the coming quarters. During its recent analyst briefing, management reaffirmed their confidence in securing 70% of the contingent Capex over the next 3 years of RP4. Notably, our current earnings projections have yet to factor in any contingent Capex, implying that any utilisation would provide upside to our forecasts. Meanwhile, **PETGAS** may face earnings pressure in the upcoming quarter, due to repair and asset restoration costs following the pipeline fire incident at Putra Heights, Puchong. With coal prices having stabilised since April 2025 (Figure 1), both **TENAGA** and **MALAKOF** stand to benefit from improved fuel margins. For **MFCB**, earnings are expected to strengthen in the remaining quarters of FY25, driven by the full commissioning of all 5 turbines at the DSHP in June 2025.

On the development front, robust electricity demand has prompted the Energy Commission (EC) to issue a Request for Proposal (RFP) for up to 8GW of new gas-fired generation capacity. **TENAGA**, **MALAKOF**, and **PETGAS** are eyeing participation in the tender, which could provide recurring income streams over the PPA/SLA period. We view **TENAGA** and **MALAKOF** as frontrunners given their strong operational track records.

Valuation & Recommendation. No changes were made to our stock recommendations this quarter. We maintain our **Overweight** stance on the Power & Utilities sector, supported by structural drivers, including surging electricity demand from data centres, accelerating electric vehicles adoptions, and ongoing energy transition efforts. Our top picks for the sector are **MFCB** (TP: RM5.43) and **TENAGA** (TP: RM16.04), given their resilient, domestic-focused earnings profiles, particularly appealing in light of rising global trade and policy uncertainties.

Earnings Wrap

Thursday, 12 Jun, 2025

Sector Earnings Summary

Company	1QCY25	1QCY24	yoy (%)	4QCY24	qoq (%)
Total Revenue (RM m)	20,002.7	17,852.8	12.0	18,881.2	5.9
MALAKOF	2,027.9	2,280.1	(11.1)	2,163.0	(6.2)
MFCB	341.6	313.5	9.0	724.4	(52.9)
PETGAS	1,594.5	1,618.8	(1.5)	1,615.4	(1.3)
TENAGA	16,038.7	13,640.4	17.6	14,378.3	11.5
Total Core Net Profit (RM m)	1,652.6	1,602.3	3.1	1,299.5	27.2
MALAKOF	52.0	66.8	(22.1)	41.8	24.4
MFCB	64.7	95.3	(32.1)	116.4	(44.4)
PETGAS	465.7	469.6	(0.8)	439.8	5.9
TENAGA	1,070.1	970.6	10.3	701.5	52.5
			%-pts		%-pts
Overall Core Net Profit Margin (%)	8.3%	9.0%	-0.7%	6.9%	1.4%
MALAKOF	2.6%	2.9%	-0.4%	1.9%	0.6%
MFCB	19.0%	30.4%	-11.5%	16.1%	2.9%
PETGAS	29.2%	29.0%	0.2%	27.2%	2.0%
TENAGA	6.7%	7.1%	-0.4%	4.9%	1.8%

Source: Company, Apex Securities

1QCY25 Performance Summary

Company	Apex			Consensus			Target Price (RM)			Core EPS (sen)			Recommendation			Comments
	Above	Within	Below	Above	Within	Below	Before	After	Change	Before	After	Change	Before	After	Change	
MALAKOF			✓			✓	0.94	0.88	↓	6.1	5.5	↓	Buy	Buy	↔	After factoring in a lower capacity income for Prai Power Plant and higher opex, FY25/FY26/FY27 earnings forecasts were reduced by 10.3%/16.3%/23.2% respectively.
MFCB		✓			✓		5.36	5.43	↑	51.0	51.0	↔	Buy	Buy	↔	TP raised after reconciliation with annual report figures.
PETGAS		✓			✓		17.80	17.80	↔	94.4	94.4	↔	Hold	Hold	↔	No changes.
TENAGA		✓			✓		16.04	16.04	↔	72.1	72.1	↔	Buy	Buy	↔	No changes.
Total	0	3	1	0	3	1										
Total (%)	0.0%	75.0%	25.0%	0.0%	75.0%	25.0%										

Source: Apex Securities

Peers Comparison

Company	FYE	Market Cap (RM m)	Rec.	Price (RM) ^	TP (RM)	Potential Upside	P/E (x) CY25	P/E (x) CY26	P/B (x) CY25	P/B (x) CY26	Div Yield (%) CY25	Div Yield (%) CY26	ESG Rating
Power Generation & Utilities													
Tenaga Nasional Bhd	Dec	83,007	Buy	14.24	16.04	12.6%	19.7	19.3	1.3	1.3	3.3	3.4	★★★★
YTL Power International Bhd *	Jun	30,055	N/A	3.65	4.41	20.9%	11.6	11.0	1.3	1.2	2.0	2.2	N/A
Malakoff Corporation Bhd	Dec	3,861	Buy	0.79	0.88	11.4%	11.8	10.6	0.9	0.9	7.0	8.2	★★★★
Mega First Corporation Bhd	Dec	3,572	Buy	3.79	5.43	43.3%	7.4	7.3	0.9	0.8	2.8	3.0	★★★★
Simple Average							12.6	12.1	1.1	1.0	3.8	4.2	
Gas Value Chain													
Petronas Gas Bhd	Dec	35,024	Hold	17.70	17.80	0.6%	18.8	18.0	2.4	2.4	4.3	4.5	★★★★
Gas Malaysia Bhd *	Dec	5,393	N/A	4.20	4.28	2.0%	13.2	12.9	3.3	3.2	5.7	5.8	N/A
Simple Average							16.0	15.4	2.9	2.8	5.0	5.1	

* Based on Bloomberg consensus

^ Price as at 11 Jun 25

Source: ApexSecurities, Bloomberg

Figure 1: Newcastle Coal Prices



Source: Bloomberg, Apex Securities

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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(a) nil.