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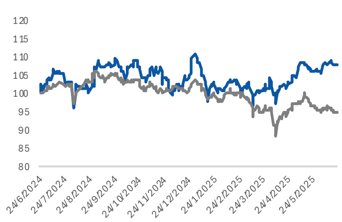
Recommendation:		BUY
Current Price:		RM 14.22
Previous Target Price:		RM 16.04
Target Price:	↔	RM 16.04
Capital Upside/Downside:		12.8%
Dividend Yield (%):		3.3%
Total Upside/Downside:		**16.1%**

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)	82,890.4
52-Week Price Range (RM)	15.24-12.66
Beta (x)	1.0
Free float (%)	53.9
3M Average Volume (m)	7.3
3M Average Value (RM' m)	101.6

Top 3 Shareholders	(%)
Khazanah Nasional Bhd	20.9
Amanah Saham Nasional Bhd	20.8
Employees Provident Fund Board	20.1

Share Price Performance



	1M	3M	12M
Absolute (%)	1.6	4.9	3.6
Relative (%)	3.8	5.1	9.7

Earnings Summary

FYE Dec (RM m)	FY24	FY25F	FY26F
Revenue	56,737.1	68,133.6	71,313.3
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)	17.6	19.7	19.3

Source: Company, Apex Securities

Tenaga Nasional Berhad

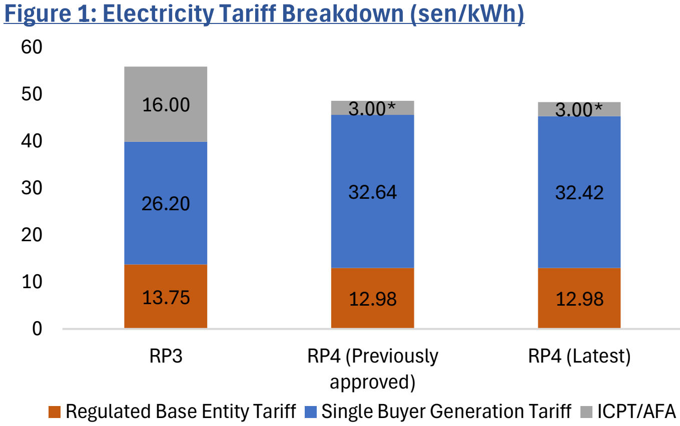
New Electricity Tariff Structure Announced

- **The Energy Commission unveiled a new electricity tariff structure for Peninsular Malaysia, which will take effect from 1 Jul 2025 to 31 Dec 2027.**
- **The announcement outlines three major shifts: (i) reduction in base tariff, (ii) restructuring of tariff structure, and (iii) the replacement of existing biannual ICPT mechanism with a monthly Automatic Fuel Adjustment mechanism.**
- **The new structure is Neutral to mildly Positive for TENAGA. The base tariff reduction is limited to pass-through generation costs, leaving the Group's regulated return intact while the shift to monthly AFA enhances cost reflectivity and improves cash flow stability.**
- **No change to earnings forecasts. Reiterate BUY with an unchanged TP of RM16.04 based on DCF valuation (WACC: 7.1%, g: 2.0%).**

Last Friday, the Energy Commission (EC) unveiled a new electricity tariff structure for Peninsular Malaysia under Regulatory Period 4 (RP4), which will take effect from 1 Jul 2025 to 31 Dec 2027. The announcement outlines three major shifts: (i) revision in **base tariff rate**, (ii) restructuring of **tariff structure**, and (iii) the replacement of existing ICPT **fuel cost adjustment mechanism** with a monthly fuel cost pass-through under the Automatic Fuel Adjustment (AFA) mechanism.

Base tariff lowered. The approved base tariff for RP4 is set at 45.40sen/kWh, a marginal reduction of 0.22sen/kWh from the previously approved rate of 45.62sen/kWh, but higher than the RP3 rate of 39.95 sen/kWh. Based on the breakdown published by EC (Figure 1), the entire downward revision is due to adjustments in the Single Buyer Generation tariff, which is fuel and forex-driven, and fully pass-through in nature. This confirms that the cut is neutral to TENAGA's earnings The modest downward revision likely reflects updated assumptions for lower fuel costs and a firmer MYR against USD. The global coal benchmarks have corrected meaningfully YTD due to excess supply and weak Chinese import demand.

Figure 1: Electricity Tariff Breakdown (sen/kWh)



** ICPT is replaced with AFA in RP4. The monthly adjustment is capped at 3sen/kWh. Any adjustment greater than 3sen/kWh requires government approval.*
Sources: Energy Commission, Apex Securities

Tariff structure overhaul. The tariff structure now adopts a voltage-based classification (low, medium or high voltage) in place of customer type segmentation (eg: commercial, industrial). Furthermore, the usual tiered usage breakdown will be replaced with three transparent components:

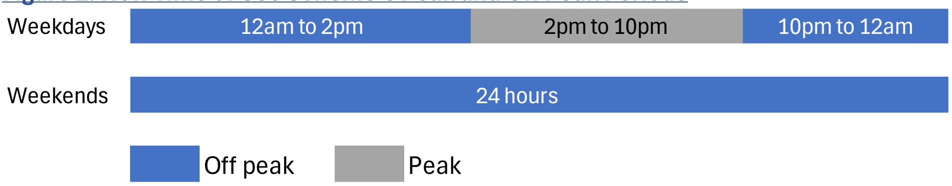
(i) Generation Charge: cost of generating electricity, which includes:
- Energy Charge: generation fuel costs.
- AFA: monthly adjustment to reflect fuel price and forex fluctuations.
- Capacity Charge: capacity payments under PPA/SLA.

(ii) Network Charge: cost of electricity delivery
(iii) Retail Charge: cost of customer service and billing

A new Energy Efficiency Incentive (EEI) will be introduced where there will be savings for customers who use electricity efficiently. Domestic users with monthly usage of 1,000kWh or less and non-domestic LV customers with monthly usage of 200kWh or less will be eligible for the EEI.

In addition, Time of Use (ToU) scheme has been streamlined to offer a longer off-peak period. Off peak hours now span the entire Saturdays and Sundays, as well as from 10pm to 2pm on weekdays (Figure 2). Under this scheme, consumers are charged higher tariffs during peak hours and lower tariffs during off-peak hours, thereby encouraging load shifting to flatten the system load profile. Importantly, eligibility for the ToU scheme has been expanded. While previously limited to MW and HV non-domestic users, the revised framework now includes domestic and non-domestic low-voltage users.

Figure 2: New Time of Use Scheme's Peak and Off Peak Periods



Sources: Energy Commission, Apex Securities

Other targeted support measures remain intact. For instance, dedicated tariff schedule will be introduced for the agriculture, water and sewerage operators, and rail operators or traction. A 10% rebate will also be provided for registered institutions of higher learning, welfare organisations, and places of worship. Lastly, RM40 Electricity Bill Rebate Programme will also be maintained, providing a monthly subsidy of up to RM40 for Heads of Households (KIR) registered as Miskin Tegar in the e-Kasih system.

ICPT Replaced with Monthly AFA. The ICPT mechanism will be replaced with AFA mechanism. AFA will review and reflect the actual fuel generation cost every month rather than half-yearly under the ICPT. However, the automatic adjustment is capped at 3 sen/kWh. Any variation beyond this threshold requires government approval, introducing an element of political oversight but limiting customer exposure to large tariff shocks. This refinement should mitigate fuel cost mismatch risk, a key earnings overhang during periods of fuel cost spikes or sharp MYR depreciation against USD. The shorter lag in cash flow recovery reduces risk of working capital requirements and cuts down finance costs.

Our Take. The new electricity tariff framework is **Neutral to mildly Positive** for TENAGA. The base tariff reduction is limited to pass-through generation costs, leaving the Group's regulated return unaffected. Meanwhile, the transition to monthly AFA provides improved cost reflectivity and strengthens cash flow stability, particularly during periods of fuel price volatility or forex fluctuations.

Earnings Maintained. We revise our base tariff assumptions to 45.40sen/kWh for FY25F-FY27F to align with the latest EC announcement. As regulated returns remain unchanged and cost pass-through remains intact, we maintain 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**	**68,133.6**	**71,313.3**	**74,508.8**
ICPT	10,598.2	9,097.7	0.0	0.0	0.0
EBITDA	**18,622.6**	**19,952.5**	**21,249.6**	**23,179.0**	**24,320.5**
Depreciation & Amortisation	-11,265.7	-11,232.4	-11,394.6	-12,726.9	-13,574.1
EBIT	**7,356.9**	**8,720.1**	**9,854.9**	**10,452.1**	**10,746.5**
Net Finance Income/ (Cost)	-3,786.8	-3,469.1	-3,795.0	-4,254.0	-4,473.5
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**	**6,165.3**	**6,309.1**	**6,367.5**
Tax	-770.0	-1,085.2	-1,849.6	-1,892.7	-1,910.3
Profit After Tax	**2,603.6**	**4,729.6**	**4,315.7**	**4,416.4**	**4,457.3**
(-) Minority Interest	-166.7	31.0	123.3	126.2	127.4
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**

** Core profit is not adjusted for MFRS16*

Key Financial Metrics

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Revenue Growth (%)	4.3%	6.9%	20.1%	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 (%)	3.2%	3.6%	3.3%	3.4%	3.4%
P/E (x)	29.6	17.6	19.7	19.3	19.1
P/B (x)	1.4	1.4	1.3	1.3	1.3
EV/EBITDA (x)	8.5	7.6	7.7	7.5	7.4
EBITDA margin (%) ^	29.3%	30.3%	31.2%	32.5%	32.6%
EBIT margin (%) ^	11.6%	13.2%	14.5%	14.7%	14.4%
PBT margin (%) ^	5.3%	8.8%	9.0%	8.8%	8.5%
PAT margin (%) ^	4.1%	7.2%	6.3%	6.2%	6.0%
NP margin (%) ^	4.4%	7.1%	6.2%	6.0%	5.8%
CNP margin (%) ^	4.8%	5.7%	6.2%	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%	101.2%
Net gearing (%) #	66.7%	59.7%	72.3%	79.5%	85.1%

^ ICPT included in the calculatation of profitability margins

 # Gearing does not include lease liabilities

DCF Valuation	Value (RM m)	Valuation method
Enterprise Value	174,936.6	WACC: 7.1%, g: 2.0%
(-) Net Debt/(Cash)	79,163.8	
(-) Minority Interests	2,321.9	
Total Equity Value	**93,450.8**	
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	11,507.5	10,560.7	10,441.6
Receivables	10,408.2	10,857.4	11,760.1	12,308.9	13,064.6
Inventories	2,758.0	2,543.6	2,358.5	2,420.2	2,521.4
Other current assets	8,091.5	7,306.1	7,694.6	7,816.3	7,938.6
Total Current Assets	**40,648.2**	**40,308.2**	**33,320.7**	**33,106.1**	**33,966.1**
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	40,762.4	43,562.1	41,088.2
Total Non-Current Assets	**164,095.4**	**164,747.9**	**178,208.7**	**189,799.6**	**195,527.8**
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	13,364.9	13,714.3	14,287.7
Other current liabilities	12,677.3	13,477.1	13,916.8	14,015.3	14,114.2
Total Current Liabilities	**32,838.6**	**33,968.1**	**34,057.3**	**37,005.2**	**40,177.6**
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	2,321.9	2,448.1	2,575.4
Total Equity	**61,082.7**	**62,569.7**	**64,214.7**	**65,899.0**	**67,566.1**

 # 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**	**6,165.3**	**6,309.1**	**6,367.5**
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	-28.0	-246.9	-265.7
Others	2,962.4	1,106.1	6,869.9	2,728.3	2,886.9
Operating cash flow	**32,243.4**	**22,378.3**	**24,401.8**	**21,517.5**	**22,562.8**
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**	**-3,705.3**	**-946.7**	**-119.1**
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	11,507.5	10,560.7
Ending cash and cash equivalents	**17,225.2**	**15,212.8**	**11,507.5**	**10,560.7**	**10,441.6**

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★	Scope 1 and Scope 2 GHG emissions totaled 39.1m tCO^2e in 2024, marking a 0.5% yoy reduction from 2023. 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 2024, a 56% recycling rate for hazardous waste was achieved, surpassing the 30% target set for 2025.
Energy	★★	Generation capacity mix in 2024 remained dominated by fossil fuels, with coal accounting for 38% and gas 32%. The Group plans to reduce its coal capacity by 50% by 2035 and fully phase it out by 2050. In 2024, TENAGA's renewable energy capacity reached 4.2GW, reflecting a 4.1% yoy increase, though still significantly below its target of 8.3GW by 2025.
Water	★★	In power generation operations, majority of water consumed is used for steam generation and power plant cooling systems. Total water consumed amounted to 9,234 ML in 2024, reflecting an 8.5% 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 2024, 14% of non-executive staff and 41% of executive staff are female.
Human Rights	★★★	TENAGA has approved its TNB Labour Rights Policy Statement in 2024. The Group is dedicated to upholding labour rights, promoting safe working environment, and preventing discrimination.
Occupational Safety and Health	★★	In 2024, 4 work-related fatalities were reported. The Lost Time Incident Rate (LTIR) stood at 0.87, 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 2024, the Group allocated RM141m to CSR projects.
Management	★★★	In 2024, women made up 25% of the senior management team, falling short of the 30% female representation target set for 2025. Among the board members, 33% (4 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 **Monday, 23 Jun, 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.