

Ong Tze Hern

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Recommendation:	BUY
Current Price:	RM 14.90
Previous Target Price:	RM 16.04
Target Price:	↔ RM 16.04
Capital Upside/ Downside:	7.7%
Dividend Yield (%):	3.2%
Total Upside/ Downside:	10.8%

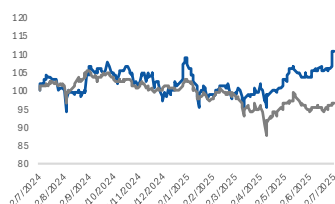
Stock information

Board	MAIN
Sector	Utilities
Bursa / Bloomberg Code	5347 / TNB MK
Syariah Compliant	Yes
ESGRating	★★★
Shares Issued (m)	5,829.1
Market Cap (RM' m)	86,854.2
52-Week Price Range (RM)	15.24 - 12.66
Beta (x)	1.0
Free float (%)	54.0
3M Average Volume (m)	7.6
3M Average Value (RM' m)	105.8

Top 3 Shareholders

	(%)
Khazanah Nasional Bhd	20.9
Amanah Saham Nasional Bhd	20.7
Employees Provident Fund Board	20.2

Share Price Performance



	1M	3M	12M
Absolute (%)	6.4	8.3	6.4
Relative (%)	4.1	7.2	10.3

Earnings Summary

FYE Dec (RM m)	FY25F	FY26F	FY27F
Revenue	68,133.6	71,313.3	74,508.8
PATAMI	4,192.4	4,290.2	4,329.9
CNP	4,192.4	4,290.2	4,329.9
Core EPS (sen)	72.1	73.8	74.5
PE(x)	20.7	20.2	20.0

Source: Company, Apex Securities

Tenaga Nasional Berhad

Data Centres Expected to Pay More under the New Tariff Structure

- The new tariff structure tackles two key issues: (i) fuel cost volatility and (ii) unfair recovery of fixed (network) costs.
- Majority of MV customers will see bill reductions, while data centres are expected to pay more for electricity.
- While data centres are expected to pay more under the new tariff structure, the average tariff remain significantly below Singapore's. As such, we do not expect the higher rates to hinder DC growth in Malaysia meaningfully.
- No change to earnings forecasts. Reiterate BUY with an unchanged TP of RM16.04 based on DCF valuation (WACC: 7.1%, g: 2.0%), implying 22.2x FY25F EPS.

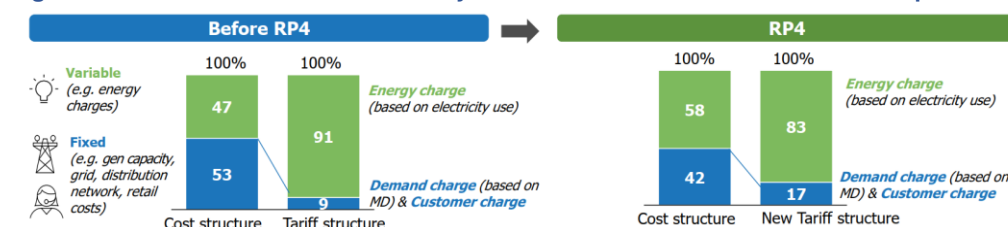
We left TENAGA's analyst briefing on the New Tariff Structure with the following key takeaways:

Addressing volatile fuel costs and fixed cost under-recovery. The new tariff structure tackles two key issues: (i) fuel cost volatility and (ii) unfair recovery of fixed (network) costs. To mitigate the impact of fuel cost fluctuations, the bi-annual ICPT has been replaced with a monthly Automatic Fuel Adjustment (AFA), allowing quicker and more predictable cost pass-throughs. While AFA adjustments will be applied automatically, they are capped at 3 sen/kWh. Any increase beyond the threshold requires government approval. A new detail revealed during the briefing is that domestic users consuming 600kWh/month or less is exempted from AFA.

For context, the ICPT previously involved a 6-month lag in fuel cost recovery (eg: fuel cost incurred in Jan-Jun 2024 were reflected in the ICPT for Jul-Dec 2024). Management disclosed that fuel costs incurred in Jan-Jun 2025 will be absorbed by the Kumpulan Wang Industri Elektrik (KWIE), a fund established to cushion the impact of tariff fluctuations on customers. Meanwhile, the AFA for July 2025 has been reset to zero, with July's fuel cost pass through to be reflected in the AFA for August.

The second issue addressed is the unfair recovery of fixed costs. Prior to RP4, there was a structural mismatch between system cost and tariff revenue. The under-recovery of fixed costs has been exacerbated by the increasing adoption of solar power, particularly under schemes such as Net Energy Metering (NEM) and Self-Consumption (SELCO), where solar users can reduce or avoid paying their fair share of infrastructure costs. The new tariff structure under RP4 aims to minimise this under-recovery, ensuring that all customers contribute fairly to the network costs (Figure 1).

Figure 1: New Tariff Ensures Fair Recovery of Fixed Costs Across All Customer Groups

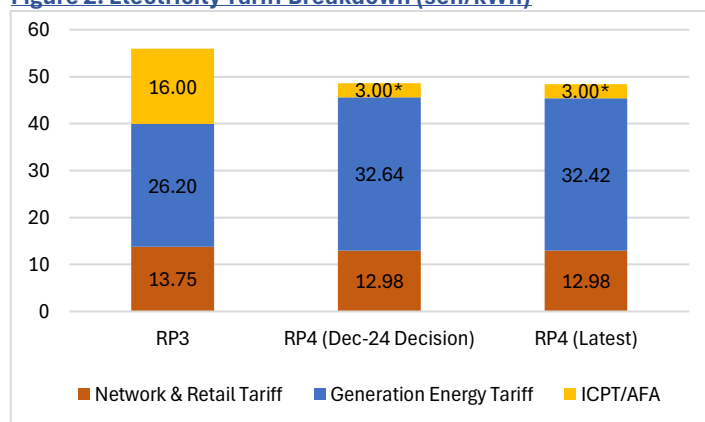


Sources: TENAGA

Reduction in pass-through Generation Energy Tariff driven by forex revision. As highlighted in our previous [report](#), there are three major changes under the new electricity tariff structure: (i) a reduction in base tariff, (ii) a restructuring of tariff schedule, and (iii) the replacement of the biannual ICPT with a monthly AFA. The base tariff has been revised downward to 45.40sen/kWh (+13.6% vs RP3) from the December 2024 approved rate of 45.62sen/kWh (+14.2% vs RP3) (Figure 2). The reduction is entirely attributed to a downward revision in the pass-through Generation Energy Tariff, reflecting a more favourable forex assumption of RM4.307/USD compared to RM4.40/USD previously. There are no changes to the network and retail tariff components under RP4, which are the key determinants of TENAGA's regulated return. As such,

the reduction in the base tariff is neutral to TENAGA's earnings. Additional details disclosed during the briefing include the demand forecast for RP4 (2025: 134,560GWh; 2026: 141,873GWh; 2027: 148,860GWh).

Figure 2: 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, Company, Apex Securities

Data centres classified under a separate Ultra-High Voltage (UHV) category. As part of the tariff schedule restructuring, the new tariff structure now adopts a voltage-based classification (LV, MV and HV) in place of the previous classification by customer activity (eg: commercial, industrial). Under RP3, data centres (DCs) were classified under High Voltage Commercial Tariff category. In RP4, they will be classified under a dedicated UHV category, with Time of Use (ToU) the only available option (Figure 4).

The ToU scheme has also been refined to offer longer off-peak hours. Previously, off-peak hours spanned 10pm to 8am daily. Under RP4, off-peak hours now extend from 10pm to 2pm on weekdays, cover the entire Saturdays and Sundays, and include 15 selected public holidays, the latter being a new feature not previously disclosed. The extension of off-peak hours is expected to result in meaningful cost savings for most customers, as further detailed in the next section.

Figure 3: RP3 Tariffs for Data Centres

Tariff C3 - High voltage general commercial tariff		
For each kilowatt of maximum demand per month	RM/kW	29.20
For all kWh	sen/kWh	34.50
Minimum monthly charge	RM/month	600.00
ICPT	sen/kWh	16.00
Tariff C4 - High voltage peak/off-peak commercial tariff		
For each kilowatt of maximum demand per month during the peak period	RM/kW	43.60
For all kWh during the peak period	sen/kWh	34.50
For all kWh during the off-peak period	sen/kWh	20.70
Minimum monthly charge	RM/month	600.00
ICPT	sen/kWh	16.00

Sources: Company, Apex Securities

Figure 4: RP4 Tariffs for Data Centres

UHV ToU		
Energy Charge - For all kWh during the peak period	sen/kWh ²	55.18
Energy Charge - For all kWh during the off-peak period	sen/kWh ²	51.09
Capacity Charge - For each kilowatt of maximum demand per month during the peak period	RM/kW	21.76
Network Charge - For each kilowatt of maximum demand per month during the peak period	RM/kW	23.06
Retail Charge	RM/month ²	250.00
Bulk UHV ToU		
Energy Charge - For all kWh during the peak period	sen/kWh ²	51.18
Energy Charge - For all kWh during the off-peak period	sen/kWh ²	47.09
Capacity Charge - For each kilowatt of maximum demand per month during the peak period	RM/kW	29.24
Network Charge - For each kilowatt of maximum demand per month during the peak period	RM/kW	26.02
Retail Charge	RM/month ²	250.00

Sources: Company, Apex Securities

Majority of MV customers to see bill reductions, while data centres expected to pay more.

According to TENAGA, 71% from 3.3k MV customers will experience bill reductions, while the remainder will face higher bills due to inefficient system utilisation, primarily from low load factor. Load factor measures the average utilisation of capacity relative to peak demand. Customers with a low load factor still require the grid to be ready to supply electricity at peak levels, even if actual usage is low, hence driving up the cost of infrastructure readiness.

Our analysis confirms that MV customers on general tariffs with sufficiently high load factor will enjoy electricity bill savings (Figure 5 and 6), in line with management guidance. Meanwhile, ToU scheme is expected to deliver cost savings across all categories due to the extended off-peak period under RP4 compared to RP3.

For MV customers under ToU, bill reductions are expected regardless of load factor (Figure 7 and 8). In contrast, HV Industrial customers on ToU are also expected to benefit, but higher load factor may reduce magnitude of savings (Figure 9). Lastly, DCs are expected to face higher electricity bills under RP4 compared to RP3, based on both our estimates and management's disclosures.

Our Take. While DCs are expected to pay more under the new tariff structure, the average tariff of 58.4 sen/kWh (based on TENAGA's example) or c.54 sen/kWh (based on our estimates) remain significantly below Singapore's c.98.7 sen/kWh (29.94¢/kWh). As such, we do not expect the higher rates to hinder DC growth in Malaysia meaningfully.

Earnings Maintained. Maintain earnings forecasts unchanged.

Valuation and Recommendation. Reiterate **BUY** with an unchanged TP of **RM16.04** based on DCF valuation (WACC: 7.1%, g: 2.0%), implying 22.2x FY25F EPS. No ESG premium or discount has been applied, given the Group's three-star ESG rating. We have yet to incorporate the contingent capex in our model, implying further upside potential. We remain positive on TENAGA's outlook, underpinned 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.

Figure 5: MV Commercial (General): Cost Savings with Higher Load Factor

Low Load Factor			High Load Factor		
Assumptions	Tariff C1 (RP3)	Non-Domestic MV General (RP4)	Assumptions	Tariff C1 (RP3)	Non-Domestic MV General (RP4)
Maximum Demand (kW)	1,000	1,000	Maximum Demand (kW)	1,000	1,000
Load Factor	30%	30%	Load Factor	80%	80%
Consumption (kWh)	216,000	216,000	Consumption (kWh)	576,000	576,000
<u>Monthly Bill Implication</u>			<u>Monthly Bill Implication</u>		
Electricity Bill (RM)	143,700	153,903	Electricity Bill (RM)	332,700	261,291
% Change		7.1%	% Change		-21.5%

Note: RP3 includes an ICPT surcharge of 16 sen/kWh; RP4 includes an AFA of 0 sen/kWh. Bill excludes KWTBB (1.6% surcharge for the RE Fund).

Source: Company, Apex Securities

Figure 6: MV Industrial (General): Cost Savings with Higher Load Factor

Low Load Factor			High Load Factor		
Assumptions	Tariff E1 (RP3)	Non-Domestic MV General (RP4)	Assumptions	Tariff E1 (RP3)	Non-Domestic MV General (RP4)
Maximum Demand (kW)	1,000	1,000	Maximum Demand (kW)	1,000	1,000
Load Factor	30%	30%	Load Factor	80%	80%
Consumption (kWh)	216,000	216,000	Consumption (kWh)	576,000	576,000
<u>Monthly Bill Implication</u>			<u>Monthly Bill Implication</u>		
Electricity Bill (RM)	136,952	153,903	Electricity Bill (RM)	315,872	261,291
% Change		12.4%	% Change		-17.3%

Note: RP3 includes an ICPT surcharge of 16 sen/kWh; RP4 includes an AFA of 0 sen/kWh. Bill excludes KWTBB (1.6% surcharge for the RE Fund).

Source: Company, Apex Securities

Figure 7: MV Commercial (ToU): Savings vs RP3 Primarily from Longer Off-peak Period, Load Factor Has Minimal Impact on Bill

Low Load Factor			High Load Factor		
Assumptions	Tariff C2 (RP3)	Non-Domestic MV ToU (RP4)	Assumptions	Tariff C2 (RP3)	Non-Domestic MV ToU (RP4)
Maximum Demand (kW)	1,000	1,000	Maximum Demand (kW)	1,000	1,000
Load Factor	30%	30%	Load Factor	80%	80%
Consumption (kWh)	216,000	216,000	Consumption (kWh)	576,000	576,000
Peak Consumption (kWh)	90,072	51,408	Peak Consumption (kWh)	240,192	137,088
Off-peak Consumption (kWh)	125,928	164,592	Off-peak Consumption (kWh)	335,808	438,912
<u>Monthly Bill Implication</u>			<u>Monthly Bill Implication</u>		
Electricity Bill (RM)	140,744	84,220	Electricity Bill (RM)	300,151	185,752
% Change		-40.2%	% Change		-38.1%

Note: RP3 includes an ICPT surcharge of 16 sen/kWh; RP4 includes an AFA of 0 sen/kWh. Bill excludes KWTBB (1.6% surcharge for the RE Fund).

RP3 peak period is assumed at 41.7% (70 peak hours out of 168 total weekly hours); RP4 Peak period is assumed at 23.8% (40 peak hours out of 168 total weekly hours).

Source: Company, Apex Securities

Figure 8: MV Industrial (ToU): Savings vs RP3 Primarily from Longer Off-peak Period, Load Factor Has Minimal Impact on Bill

Low Load Factor			High Load Factor		
Assumptions	Tariff E2 (RP3)	Non-Domestic MV ToU (RP4)	Assumptions	Tariff E2 (RP3)	Non-Domestic MV ToU (RP4)
Maximum Demand (kW)	1,000	1,000	Maximum Demand (kW)	1,000	1,000
Load Factor	30%	30%	Load Factor	80%	80%
Consumption (kWh)	216,000	216,000	Consumption (kWh)	576,000	576,000
Peak Consumption (kWh)	90,072	51,408	Peak Consumption (kWh)	240,192	137,088
Off-peak Consumption (kWh)	125,928	164,592	Off-peak Consumption (kWh)	335,808	438,912
<u>Monthly Bill Implication</u>			<u>Monthly Bill Implication</u>		
Electricity Bill (RM)	131,114	84,220	Electricity Bill (RM)	287,970	185,752
% Change		-35.8%	% Change		-35.5%

Note: RP3 includes an ICPT surcharge of 16 sen/kWh; RP4 includes an AFA of 0 sen/kWh. Bill excludes KWTBB (1.6% surcharge for the RE Fund).

RP3 peak period is assumed at 41.7% (70 peak hours out of 168 total weekly hours); RP4 Peak period is assumed at 23.8% (40 peak hours out of 168 total weekly hours).

Source: Company, Apex Securities

Figure 9: HV Industrial (ToU): Savings vs RP3 Primarily from Longer Off-peak Period, Higher Load Factor Leads to Less Savings

Low Load Factor			High Load Factor		
Assumptions	Tariff E3 (RP3)	Non-Domestic HV ToU (RP4)	Assumptions	Tariff E3 (RP3)	Non-Domestic HV ToU (RP4)
Maximum Demand (kW)	10,000	10,000	Maximum Demand (kW)	10,000	10,000
Load Factor	30%	30%	Load Factor	80%	80%
Consumption (kWh)	2,160,000	2,160,000	Consumption (kWh)	5,760,000	5,760,000
Peak Consumption (kWh)	900,720	514,080	Peak Consumption (kWh)	2,401,920	1,370,880
Off-peak Consumption (kWh)	1,259,280	1,645,920	Off-peak Consumption (kWh)	3,358,080	4,389,120
<u>Monthly Bill Implication</u>			<u>Monthly Bill Implication</u>		
Electricity Bill (RM)	1,258,517	1,001,235	Electricity Bill (RM)	2,764,379	2,491,759
% Change		-20.4%	% Change		-9.9%

Note: RP3 includes an ICPT surcharge of 16 sen/kWh; RP4 includes an AFA of 0 sen/kWh. Bill excludes KWTBB (1.6% surcharge for the RE Fund).

RP3 peak period is assumed at 41.7% (70 peak hours out of 168 total weekly hours); RP4 Peak period is assumed at 23.8% (40 peak hours out of 168 total weekly hours).

Source: Company, Apex Securities

Figure 10: HV Commercial (ToU): Data Centres Pay More Despite Longer Off-peak Period under RP4 ToU Scheme

Lower Load Factor			Higher Load Factor		
Assumptions	Tariff C4 (RP3)	Non-Domestic UHV ToU (RP4)	Assumptions	Tariff C4 (RP3)	Non-Domestic UHV ToU (RP4)
Maximum Demand (kW)	50,000	50,000	Maximum Demand (kW)	50,000	50,000
Load Factor	80%	80%	Load Factor	95%	95%
Consumption (kWh)	28,800,000	28,800,000	Consumption (kWh)	34,200,000	34,200,000
Peak Consumption (kWh)	12,009,600	6,854,400	Peak Consumption (kWh)	14,261,400	8,139,600
Off-peak Consumption (kWh)	16,790,400	21,945,600	Off-peak Consumption (kWh)	19,938,600	26,060,400
<u>Monthly Bill Implication</u>			<u>Monthly Bill Implication</u>		
Electricity Bill (RM)	14,406,925	15,527,873	Electricity Bill (RM)	16,699,473	18,339,298
% Change		7.8%	% Change		9.8%

Note: RP3 includes an ICPT surcharge of 16 sen/kWh; RP4 includes an AFA of 0 sen/kWh. Bill excludes KWTBB (1.6% surcharge for the RE Fund).

RP3 peak period is assumed at 41.7% (70 peak hours out of 168 total weekly hours); RP4 Peak period is assumed at 23.8% (40 peak hours out of 168 total weekly hours).

Source: Company, Apex Securities

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 MFRS 16

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%	112%	2.3%	0.9%
DPS (sen)	46.0	51.0	47.0	48.0	48.0
Dividend Yield (%)	3.1%	3.4%	3.2%	3.2%	3.2%
P/E (x)	31.0	18.4	20.7	20.2	20.0
P/B (x)	1.5	1.4	1.4	1.4	1.3
EV/EBITDA (x)	8.7	7.8	7.9	7.7	7.5
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 calculation 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	12,193.2	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 liabilities

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	14,614.7	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 ₂ e 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

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As of **Wednesday, 02 Jul, 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.