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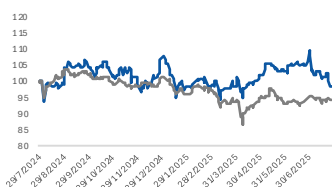
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Recommendation:	BUY
Current Price:	RM 13.36
Previous Target Price:	RM 16.04
Target Price:	↔ RM 16.04
Capital Upside/Downside:	20.1%
Dividend Yield (%):	3.5%
Total Upside/Downside:	23.6%

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)	77,877.3
52-Week Price Range (RM)	15.24-12.66
Beta (x)	1.0
Free float (%)	56.7
3M Average Volume (m)	8.6
3M Average Value (RM' m)	121.5

Top 3 Shareholders	(%)
Amanah Saham Nasional Bhd	20.7
Employees Provident Fund Board	18.8
Khazanah Nasional Bhd	18.1

Share Price Performance



	1M	3M	12M
Absolute (%)	-6.3	-2.1	-5.2
Relative (%)	-6.4	-2.9	0.6

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)	18.5	18.1	17.9

Source: Company, Apex Securities

Tenaga Nasional Berhad

Taxing Realities: Reinvestment Allowance and Carbon Tax

- Last Friday, TENAGA received a Notice of Additional Assessment for YA 2022 (RM840.1m) and has applied for Investment Allowance (IA) under Schedule 7B to mitigate the impact.
- We estimate RM1.1bn additional tax liabilities each for YA 2023 and 2024. Worst case: RM9.9bn total liabilities and RM8.1bn cash outflows; Best case: full IA approval, zero liability and RM1.8bn tax recovery.
- Base case (50% IA approval): tax liabilities of RM4.9bn and cash outflows of RM3.2bn, with dividend risk limited versus material pressure in the worst case.
- A national carbon tax is highly likely in RMK-13 (2026–2030), likely mirroring Singapore's model (direct Scope 1 tax at a fixed rate). A carbon tax would immediately raise the marginal cost of power generation, but should be fully passed through under the IBR framework. At RM15/tCO₂e, a full pass-through would require a 1.1 sen/kWh tariff adjustment (2.4% of the current 45.4 sen/kWh base tariff).
- 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 21.7x FY26F EPS.

Reinvestment Allowance: Background

TENAGA had previously claimed Reinvestment Allowance (RA) under Schedule 7A of the Income Tax Act 1967, a tax incentive typically granted to manufacturing companies for qualifying Capex. The Inland Revenue Board (IRB) disputed these claims, arguing that TENAGA, as a utility provider, did not meet the eligibility criteria under Schedule 7A.

This disagreement triggered multi-year litigation covering several Years of Assessment (YAs). On 2 July 2025, the Federal Court ruled that TENAGA is fundamentally engaged in utility operations rather than manufacturing, invalidating its RA claim for YA 2018. The court also ruled that TENAGA should have applied for incentives under Schedule 7B, which specifically governs utilities.

Against this backdrop, on last Friday, TENAGA announced that it had received a Notice of Additional Assessment for YA 2022 amounting to RM840.1m. To mitigate this, the Group has submitted an application for Investment Allowance (IA) under Schedule 7B (covering YA 2022 as well) to the Minister of Finance.

Precedent Set by the Federal Court Ruling

We summarise the tax liabilities and impacted YAs in Figure 1. Crucially, TENAGA has not yet recognised any provisions for these RA-related tax liabilities.

Figure 1: Summary of Tax Liabilities Relating to Reinvestment Allowance for TENAGA (Group)

Year of Assessment (YA)	Amount (RM m)	Per Share (RM)	Status/Ruling	Next Key Date
2018	1,812.5	0.31	Federal Court reinstated IRB notice	N/A
2013-2014	2,068.2	0.36	Under dispute scheduling	Special Commissioners of Income Tax (SCIT) trial adjourned pending Federal Court decision on YA 2018
2015-2017	3,977.9	0.68	Under dispute scheduling	Court of Appeal scheduled next case management on 29 Aug 2025
2020-2021	1,391.0	0.24	Under dispute scheduling	High Court scheduled next case management on 31 Jul 2025
(-) Remission of Penalty YA 2013-2018	-2,438.9	-0.42	Penalty remitted following advance payment arrangement	N/A
2022	840.1	0.14	IRB issued additional notice, TENAGA reviewing legal options	N/A
Total Maximum Liability	7,650.8	1.32		
(-) Cash Outflow (YA 2016-2017)	-1,757.2	-0.30		
Total Maximum Cash Outflow	5,893.6	1.01		

Note: No provision was made. Figures reflect maximum potential exposure if IA (Schedule 7B) is not approved.

Source: Company, Apex Securities

Following the Federal Court ruling on YA 2018, TENAGA will need to recognise RM1.25bn as additional tax expense in 3QFY25. The amount is net of penalty remission. The widely cited figure of RM1.8bn includes penalties waived as TENAGA had previously prepaid certain taxes (explained further below).

For YAs 2013-2014, 2015-2017, 2020-2021, and 2022, TENAGA will likely need to make additional provisions of RM6.4bn. With the Federal Court decision now setting a legal precedent, TENAGA is likely to lose the remaining litigations and become liable for these outstanding tax liabilities. This implies a total profit impact of RM7.7bn, as summarised in Figure 1.

In terms of cash outflow, the maximum exposure is estimated at RM5.9bn, net of RM1.8bn already paid to secure penalty waiver for YA 2013-2018 (total RM2.4bn). The RM1.8bn prepayment was not previously expensed and is likely recorded as tax recoverable on the balance sheet.

Scenario Analysis

The latest Notice of Assessment is not unexpected as TENAGA had claimed RA under Schedule 7A for YAs 2022-2024. The RM840.1m assessment for YA 2022 equates to 69.2% of qualifying capex relative to total capex. We assume a 70% ratio for YAs 2023 and 2024, which translates into RM1.1bn of potential additional tax liabilities for each year, or RM2.2bn in total (see Figure 2).

Best Case: Full approval of Schedule 7B IA application could reduce the tax liability to zero, and TENAGA would be eligible to recover the RM1.8bn of tax paid in advance (Figure 3).

Base Case: We assume TENAGA succeeds in claiming 50% of IA, reflecting government's fiscal needs and TENAGA's strategic role as a national utility. This results in a tax liability of RM4.9bn, with cash outflows of RM3.2bn (Figure 3).

Worst Case: If TENAGA's IA application is fully rejected, the additional tax liabilities for YAs 2023 and 2024 (RM2.2bn) would raise the total tax liabilities to RM9.9bn, resulting in potential cash outflows of RM8.1bn (Figure 3).

Figure 2: Estimated Additional Tax Liabilities for YA 2023-2024

Item	2022	2023E	2024E
Total Capex for the financial year (RM m)	8,428.9	10,599.2	11,184.2
Qualifying Capex (RM m)	5,834.2	7,419.4	7,828.9
Qualifying Capex as a % of total Capex*	69.2%	70%	70%
Reinvestment Allowance claimed (RM m)	3,500.5	4,451.7	4,697.4
Statutory tax rate (%)	24%	24%	24%
Profit before tax and zakat (RM m)	5,348.6	3,373.6	5,814.8
Additional Tax Liability (RM m)	840.1	1,068.4	1,127.4

Note: 1. Assume 70 % of total capex is qualifying capex used to claim Reinvestment Allowance (RA) for YA 2023 and 2024.

2. RA claims are assumed not to exceed the 70 % statutory income threshold eligible for deduction.

Source: Company, Apex Securities

Figure 3: Estimated Tax Liabilities and Cash Outflows Relating to RA

Scenario/Item	Amount (RM m)	Per Share (RM)
Estimated Additional Tax Liabilities - YA 2023	1,068.4	0.18
Estimated Additional Tax Liabilities - YA 2024	1,127.4	0.19
Best Case (100% IA Claim Approved)	0.0	0.00
Net Cash Inflow/(Outflow) - Best Case	1,757.2	0.30
Base Case (50% IA Claim Approved)	4,923.3	0.85
Net Cash Inflow/(Outflow) - Base Case	-3,166.1	-0.54
Worst Case (0% IA Claim Approved)	9,846.6	1.69
Net Cash Inflow/(Outflow) - Worst Case	-8,089.4	-1.39

Source: Company, Apex Securities

Cash Flow Analysis

The main investor concern is the potential impact on dividends and Capex execution. To address this, we conducted a cash flow stress test for each scenario.

We assume Capex and dividend levels remain unchanged and adjust borrowings as necessary to maintain cash flow adequacy. A Net Debt/EBITDA ratio consistently above 4.0x would pose a significant risk to dividend sustainability and increase the likelihood of a downgrade below investment-grade ratings. Capex is unlikely to be curtailed, as it underpins growth in the regulated asset base and future allowed returns. Consequently, dividends may need to be reduced if the

ratio remains consistently above the 4.0x threshold. We also expect any cash outflows to be spread over multiple years, likely without interest.

Best Case: Tax liability is fully reversed, and TENAGA recovers the RM1.8bn of tax prepaid (Figure 4).

Base Case: Cash outflows of RM3.2bn are staggered over three years. Additional borrowings of RM500m annually are sufficient to preserve cash flow adequacy while keeping Net Debt/EBITDA below 4.0x, thereby maintaining low risk to dividend sustainability (Figure 5).

Worst Case: RM8.1bn cash outflows are spread over five years. Additional borrowings of RM1bn annually would push Net Debt/EBITDA above 4.0x, creating a material risk to dividend payouts (Figure 6).

Figure 4: Cash Flow Analysis - Best Case (100% IA Approved)

Financial Metric	FY25F	FY26F	FY27F
Net Cash Inflow/(Outflow) (RM m)	1,757.2	0.0	0.0
Capex (RM m)	20,000.0	18,000.0	18,000.0
Dividends paid to Shareholders (RM m)	2,670.7	2,732.1	2,848.3
Additional Borrowings (RM m)	0.0	0.0	0.0
Total Borrowings* (RM m)	58,406.6	63,406.6	68,406.6
Deposits, Bank and Cash Balances	13,264.7	10,609.9	10,434.0
FCFE (RM m)	-1,683.7	2,060.8	4,639.6
FCFE Coverage of Dividend (x)	-0.63	0.75	1.63
Operating Cash Flow (RM m)	26,159.0	19,809.5	22,564.1
Net Debt/EBITDA* (x)	3.66	3.86	3.85
Net Gearing* (x)	1.21	1.36	1.39

*Borrowings include lease liabilities

Source: Apex Securities

Figure 5: Cash Flow Analysis - Base Case (50% IA Approved)

Financial Metric	FY25F	FY26F	FY27F
Net Cash Inflow/(Outflow) (RM m)	-1,055.4	-1,055.4	-1,055.4
Capex (RM m)	20,000.0	18,000.0	18,000.0
Dividends paid to Shareholders (RM m)	2,670.7	2,732.1	2,790.2
Additional Borrowings (RM m)	500.0	500.0	500.0
Total Borrowings* (RM m)	58,906.6	64,406.6	69,906.6
Deposits, Bank and Cash Balances	10,935.7	9,385.3	8,630.2
FCFE (RM m)	-7,880.2	4,223.4	5,060.0
FCFE Coverage of Dividend (x)	-2.95	1.55	1.81
Operating Cash Flow (RM m)	23,353.5	20,459.9	21,497.4
Net Debt/EBITDA* (x)	3.80	3.96	3.99
Net Gearing* (x)	1.36	1.51	1.55

*Borrowings include lease liabilities

Source: Apex Securities

Figure 6: Cash Flow Analysis - Worst Case (0% IA Approved)

Financial Metric	FY25F	FY26F	FY27F
Net Cash Inflow/(Outflow) (RM m)	-1,617.9	-1,617.9	-1,617.9
Capex (RM m)	20,000.0	18,000.0	18,000.0
Dividends paid to Shareholders (RM m)	2,670.7	2,732.1	2,790.2
Additional Borrowings (RM m)	1,000.0	1,000.0	1,000.0
Total Borrowings* (RM m)	59,406.6	65,406.6	71,406.6
Deposits, Bank and Cash Balances	10,856.7	9,209.4	8,337.8
FCFE (RM m)	-12,319.5	4,690.0	5,507.5
FCFE Coverage of Dividend (x)	-4.61	1.72	1.97
Operating Cash Flow (RM m)	22,798.1	19,909.0	20,951.3
Net Debt/EBITDA* (x)	3.82	4.01	4.06
Net Gearing* (x)	1.50	1.66	1.72

*Borrowings include lease liabilities

Source: Apex Securities

Future Tax Implications and Ongoing Litigation

TENAGA's move to claim IA under Schedule 7B will not affect its guided effective tax rate of c.30% from FY25 onwards, as RA claims will no longer be applicable beyond this point. Separately, TENAGA's subsidiaries are facing ongoing IRB litigation amounting to RM370.1m (Figure 7), which is unrelated to the RA-related tax liabilities discussed above.

Figure 7: Summary of Ongoing IRB Litigation Involving TENAGA's Subsidiaries

Entity and YA	Amount (RM m)	Per Share (RM)	Status/Ruling	Next Key Date
TNB Western Energy Bhd - YA 2018	291.6	0.05	Judicial review granted leave, interim stay on enforcement and proceedings	High Court scheduled a case management on 5 Aug 2025
Southern Power Generation - YA 2017-2021	78.5	0.01	Judicial review filed, interim stay granted until leave hearing	High Court fixed a new hearing date on 8 Sep 2025
Total	370.1	0.06		

Note: No provision was made

Source: Company, Apex Securities

Potential Carbon Tax Introduction in RMK-13

The government has confirmed plans to implement carbon tax by 2026, targeting high-emission sectors such as iron, steel, and energy. The tax is highly likely to be embedded in the upcoming 13th Malaysia Plan (RMK-13), to be unveiled this Thursday and spanning the 2026–2030 period. Based on early indications, we expect the framework to mirror Singapore's structure—a direct carbon tax levied at a fixed price per tonne of CO₂ equivalent (Scope 1 emissions).

TENAGA Most Exposed

TENAGA, with its sizeable 6.8GW coal-fired generation capacity, is positioned to be among the most significantly impacted entities once the tax takes effect. A carbon tax would immediately raise the marginal cost of power generation, but under the Incentive-Based Regulation (IBR) framework, these costs are designed to be fully passed through to customers.

That said, we believe the government may sequence the tax carefully to balance energy transition objectives with affordability concerns. Actual tax collection could realistically begin closer to 2030, by which time 3.5GW of coal-fired capacity will have rolled off under expired PPAs/SLAs and be replaced by lower-emission gas plants. Regardless of the effective start date, we expect the framework to be phased and moderate in the early years to avoid a sharp tariff shock to end users.

Singapore as a Benchmark

Singapore introduced its carbon tax on 1 Jan 2019 at S\$5/tCO₂e, applicable to emitters producing ≥25,000 tCO₂e annually. The rate will rise to S\$25/tCO₂e in 2024–2025, is projected to reach S\$45/tCO₂e in 2026–2027, and further escalate to S\$50–80/tCO₂e by 2030.

Sensitivity Analysis – TENAGA

While the IBR framework should fully protect TENAGA from absorbing the carbon tax costs, we conducted a stress-test scenario assuming no pass-through.

Using Singapore's initial rate as a proxy (S\$5/tCO₂e ≈ c.RM15/tCO₂e) and assuming Scope 1 emissions flat at 38.75m tCO₂e (FY24 level), total carbon tax exposure would reach RM581.3m, reducing FY26 core profit by 13.5%. Our analysis shows that every RM10/tCO₂e would reduce FY26F earnings by c.9.0% at the current emission base. At RM15 per tonne CO₂e, every incremental 2m tCO₂e of Scope 1 emissions would cut earnings by an additional c.0.7%.

Figure 8: FY26 Carbon Tax Sensitivity – Core Profit Impact (RM m)

		Scope 1 Emission (m tCO ₂ e)				
		34.75	36.75	38.75	40.75	42.75
Carbon Tax (RM per ton)	5.0	4116.5	4106.5	4096.5	4086.5	4076.5
	15.0	3769.0	3739.0	3709.0	3679.0	3649.0
	25.0	3421.5	3371.5	3321.5	3271.5	3221.5
	35.0	3074.0	3004.0	2934.0	2864.0	2794.0
	45.0	2726.5	2636.5	2546.5	2456.5	2366.5

Source: Apex Securities

Figure 9: FY26 Carbon Tax Sensitivity – % Change in Core Profit

		Scope 1 Emission (m tCO ₂ e)				
		34.75	36.75	38.75	40.75	42.75
Carbon Tax (RM per ton)	5.0	-4.0%	-4.3%	-4.5%	-4.7%	-5.0%
	15.0	-12.1%	-12.8%	-13.5%	-14.2%	-14.9%
	25.0	-20.2%	-21.4%	-22.6%	-23.7%	-24.9%
	35.0	-28.3%	-30.0%	-31.6%	-33.2%	-34.9%
	45.0	-36.4%	-38.5%	-40.6%	-42.7%	-44.8%

Source: Apex Securities

Tariff Uplift Under RM15/tCO₂e Carbon Tax

Based on 2026 RP4 demand forecasts (141,873GWh) and estimated total emissions of 102.6m tCO₂ (assuming 2.4 tCO₂/tonne coal and 56.1 tCO₂/mmscfd gas), a RM15/tCO₂e carbon tax would necessitate an electricity tariff hike of c.1.1 sen/kWh, equivalent to 2.4% of the current 45.4 sen/kWh base tariff, if fully passed through to consumers.

Earnings Maintained. We maintain our earnings forecasts at this stage as TENAGA is actively pursuing IA under Schedule 7B to mitigate the RA-related tax liabilities. We also believe any future carbon tax will be fully passed through to consumers under the IBR framework, rendering it neutral to TENAGA's earnings profile.

Valuation and Recommendation. Reiterate **BUY** with an unchanged TP of **RM16.04** based on DCF valuation (WACC: 7.1%, g: 2.0%), implying 21.7x FY26F EPS. No ESG premium or discount has been applied, given the Group's three-star ESG rating. Our valuation has yet to incorporate contingent Capex, implying further upside potential as the Group progresses grid modernisation and energy transition initiatives under the NETR. We view the recent weakness in share price as a compelling entry point, supported by rising energy demand across Malaysia, significant grid investment and modernisation required for energy transition, and potential earnings 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 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%	11.2%	2.3%	0.9%
DPS (sen)	46.0	51.0	47.0	48.0	48.0
Dividend Yield (%)	3.4%	3.8%	3.5%	3.6%	3.6%
P/E (x)	27.8	16.5	18.5	18.1	17.9
P/B (x)	1.3	1.3	1.3	1.2	1.2
EV/EBITDA (x)	8.2	7.3	7.5	7.3	7.2
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 (%) #	151.6%	137.6%	141.9%	151.9%	154.1%
Net gearing (%) #	119.9%	106.3%	124.0%	135.9%	138.6%

^ ICPT included in the calculation of profitability margins

Gearing includes 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	13,744.3	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	14,641.7	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 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 **Tuesday, 29 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.