

Ong Tze Hern

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Recommendation:	BUY
Current Price:	RM 13.24
Previous Target Price:	RM 16.04
Target Price:	RM 15.77
Capital Upside/ Downside:	19.1%
Dividend Yield (%):	3.3%
Total Upside/ Downside:	22.4%

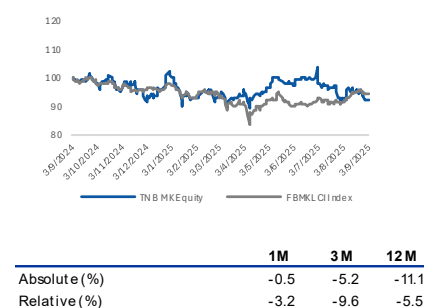
Stock information

Board	MAIN
Sector	Utilities
Bursa / Bloomberg Code	5347 / TNB MK
Syariah Compliant	Yes
ESGRating	★★★
Sharesissued (m)	5,829.1
Market Cap (RM' m)	77,177.8
52-Week Price Range (RM)	15.24-12.66
Beta (x)	1.0
Free float (%)	65.1
3M Average Volume (m)	7.3
3M Average Value (RM' m)	101.0

Top 3 Shareholders

	(%)
Employees Provident Fund Board	18.9
Khazanah Nasional Bhd	18.1
Amanah Saham Nasional Bhd	12.3

Share Price Performance



Earnings Summary

FYE Dec (RM m)	FY24	FY25F	FY26F
Revenue	56,737.1	65,669.7	68,702.3
PATAMI	4,698.6	3,958.0	4,171.7
CNP	3,762.6	3,958.0	4,171.7
Core EPS (sen)	64.9	68.1	71.8
PE(x)	16.3	19.4	18.4

Source: Company, Apex Securities

Tenaga Nasional Berhad

Credit Profile Intact

- Despite having paid RM2.7bn in disputed tax in 3QFY25 to date, management emphasised that the payments will not compromise capex or dividend commitments, with gearing expected to remain within thresholds that preserve credit ratings.
- Data centre momentum remains strong, with 253MW of new ESA demand secured in 3QFY25 QTD.
- FY25 electricity demand growth projection was revised down to 2.8–3.8% (from 3.5–4.5%). The downward revision reflects a high 2024 base and soft 1QFY25 start, though demand has since stabilised. Importantly, the revised range remains within RP4 projections.
- 2HFY25 opex should remain broadly in line from 1HFY25 levels, diverging from the historical back-end loaded trend and providing improved cost visibility and predictability.
- FY25 capex guidance has been trimmed to RM18bn (RM12bn regulated, RM6bn unregulated) from RM20bn, with the RM2bn cut entirely from unregulated projects due to timing deferrals into early-2026 rather than cancellations.
- We have revised our earnings forecasts by -5.6%/-2.8%/-1.4% for FY25/FY26/FY27 respectively, factoring in the incremental borrowings required to fund these tax outflows.
- Following our earnings adjustments, we lower our TP to RM15.77 (from RM16.04) based on DCF valuation (WACC: 7.1%, g: 2.0%), implying 22x FY26F EPS. Reiterate BUY.

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

No Concerns on Credit Worthiness. Tenaga has paid RM2.7bn in disputed taxes relating to YA2018, 2022, and 2023 in 3QFY25 to date (QTD). Payments were made on a “without prejudice” basis pending resolution of Schedule 7B claims (Figure 1), with no provision recognised following consultations with tax and legal advisers. As such, we expect the amount to be recorded as tax recoverable on the balance sheet. While financed through borrowings, management emphasised that the payments will not compromise capex or dividend commitments, with gearing expected to remain within thresholds that preserve credit ratings. We understand that credit rating agencies treat lease liabilities as part of total debt in their assessments, and no concerns have been raised regarding Tenaga's credit profile.

253MW ESA Signed in 3QFY25 QTD. After a subdued 2QFY25, where only c.40MW of new data centre ESAs were signed (by our estimates), momentum has accelerated in 3QFY25 QTD with two projects collectively securing 253MW of maximum demand. While we expect the signing pace to moderate going forward due to grid constraints and potential tariff headwinds, attention will shift to execution as data centres are built and progressively load up on power. Notably, load utilisation rose to 603MW in 2QFY25 (+24% QoQ) (Figure 2), underscoring the structural step-up in data centre demand.

Slower Demand Growth Projection. 1HFY25 electricity demand expanded modestly by 0.4% YoY, lifted by strong Commercial demand (+6.5%) that offset declines in Industrial (-3.6%) and Domestic (-2.5%) segments (Figure 3). Commercial demand was likely driven by incremental data centre loads. Management revised FY25 electricity demand growth guidance down to 2.8–3.8% (from 3.5–4.5%), aligned with BNM's lower GDP growth forecast of 4.0–4.8% (from 4.5–5.5%). The downward revision reflects a high 2024 base and soft 1QFY25 start, though demand has since stabilised. Importantly, the revised range remains within RP4 projections (2025: +2.8% YoY to 134,560 GWh).

Opex Expected to Stabilise. Non-generation opex rose 8.8% QoQ in 2QFY25, driven by higher repair and maintenance costs (+11.2%) and general expenses (+21.9% from higher ICT expenses, mainly software and cyber-security) (Figure 4). Management guided that 2HFY25 opex should remain broadly in line from 1HFY25 levels, diverging from the historical back-end loaded trend and providing improved cost visibility and predictability.

Capex Guidance Reduced by RM2bn. FY25 capex guidance has been lowered to RM18bn (RM12bn regulated, RM6bn unregulated) from RM20bn previously, with the entire reduction stemming from unregulated capex (RM8bn previously). Management clarified this reflects timing deferrals into early-2026 rather than project cancellations. Key unregulated projects include the Nenggiri Hydro Project (300MW, COD: 2QFY27) and the Sungai Perak Hydro Life Extension Programme (700MW, first unit 8MW COD: 4QFY26). We believe some deferments may have been influenced by the disputed tax payments. Meanwhile, c.RM250m of contingent capex was deployed in 1HFY25, with recovery mechanisms under discussion with the regulator.

Earnings Revision. We incorporate the RM2.7bn in disputed taxes already paid, together with an additional RM681.8m in tax payable once the reinvestment allowance (RA) claim for YA2024 is assessed by the IRB (likely by year-end), as well as lower demand assumptions in line with management guidance. Consequently, we have revised our earnings forecasts by -5.6%/-2.8%/-1.4% for FY25/FY26/FY27 respectively, factoring in the incremental borrowings required to fund these tax outflows.

Valuation and Recommendation. Following our earnings adjustments, we lower our TP to **RM15.77** (from RM16.04) based on DCF valuation (WACC: 7.1%, g: 2.0%), implying 22x FY26F EPS. Reiterate **BUY**. No ESG premium or discount has been applied, given the Group's three-star ESG rating. We view the sharp share price retracement following the 2 July court ruling as an overreaction. TENAGA has fallen RM1.66/share below its pre-ruling close of RM14.90, already pricing in close to our worst-case earnings impact of RM1.84/share should none of the IA claims be approved. We view such an outcome as unlikely given TENAGA's strategic importance as the national utility and history of regulatory support. With downside largely priced in, we see a compelling entry opportunity, while any progress on IA approvals could act as a powerful re-rating catalyst.

Risk. Sharp plunge in coal prices, unplanned shutdowns of power plants, weakening of Ringgit, policy risks.

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

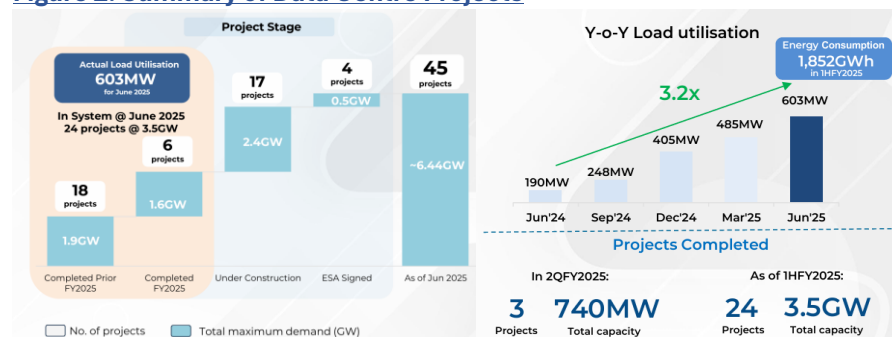
Year of Assessment (YA)	Amount (RM m)	Per Share (RM)	Status/Ruling	Next Key Date
2018	1,812.5	0.31	Federal Court reinstated IRB notice	N/A
2013-2014	2,068.2	0.36	Under dispute scheduling	Special Commissioners of Income Tax (SCIT) hearing 26 Sep 2025.
2015-2017	3,977.9	0.68	Under dispute scheduling	Court of Appeal scheduled next case management on 29 Aug 2025.
2020-2021	1,391.0	0.24	Under dispute scheduling	High Court scheduled hearing on 6 Oct 2025 for the judicial review application.
(-) 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
2023	609.0	0.10	IRB issued additional notice, TENAGA reviewing legal options	N/A
2006, 2008-2012	1,765.2	0.30	Tax recoverable	N/A
Total Maximum Liability	10,025.0	1.72		
(-) Cash Outflow (YA 2006, 2008-2012)	-1,765.2	-0.30	Advance payment	
(-) Cash Outflow (YA 2016-2017)	-1,757.2	-0.30	Advance payment arrangement	
(-) Cash Outflow (YA 2018)	-1,250.0	-0.22	Payment settled (penalties waived)	Paid 29 Jul 2025.
(-) Cash Outflow (YA 2022)	-840.1	-0.14	Payment settled	Paid 25 Aug 2025.
(-) Cash Outflow (YA 2023)	-609.0	-0.10	Payment settled	Paid 28 Aug 2025.
Total Maximum Cash Outflow	3,803.5	0.65		

Note 1: No provision was made. Figures reflect maximum potential exposure if IA (Schedule 7B) is not approved.

Note 2: Figures may not add up precisely due to rounding.

Source: Company, Apex Securities

Figure 2: Summary of Data Centre Projects



Source: Company

Figure 3: Electricity Demand Growth

Sector (GWh)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Industrial	10,973.0	11,170.0	(1.8)	10,592.0	3.6	21,565.0	22,380.0	(3.6)	YoY drop due to lower demand from iron & steel and utility electrical.
Commercial	12,555.0	11,641.0	7.9	11,672.0	7.6	24,227.0	22,743.0	6.5	Strong data centre demand.
Domestic	9,546.0	9,650.0	(1.1)	8,575.0	11.3	18,121.0	18,582.0	(2.5)	YoY drop due to milder weather.
Others	694.0	660.0	5.2	670.0	3.6	1,364.0	1,315.0	3.7	
Total	33,768.0	33,121.0	2.0	31,509.0	7.2	65,277.0	65,020.0	0.4	

Source: Company, Apex Securities

Figure 4: Operating Expenses Breakdown

FYE Dec (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Non-TNB IPPs costs	4,304.0	4,694.8	(8.3)	4,459.9	(3.5)	8,763.9	8,928.2	(1.8)	
TNB Fuel Costs	3,988.1	4,552.9	(12.4)	3,553.7	12.2	7,541.8	8,887.8	(15.1)	YoY decline from lower fuel prices (coal).
Total Generations Costs	8,292.1	9,247.7	(10.3)	8,013.6	3.5	16,305.7	17,816.0	(8.5)	
Staff Costs	1,071.3	966.5	10.8	1,016.8	5.4	2,088.1	1,918.5	8.8	
Repair and Maintenance	815.7	801.0	1.8	733.4	11.2	1,549.1	1,493.2	3.7	
TNB General Expenses	538.4	434.2	24.0	441.5	21.9	979.9	863.3	13.5	Higher IT expense.
Subsidiaries' Cost of Sales & General Expenses	647.7	992.8	(34.8)	633.9	2.2	1,281.6	1,653.6	(22.5)	2QFY24 includes associate impairment RM213.7m.
Total Non-Generation Costs	3,073.1	3,194.5	(3.8)	2,825.6	8.8	5,898.7	5,928.6	(0.5)	
Total Operating Expenses (Excluding D&A)	11,365.2	12,442.2	(8.7)	10,839.2	4.9	22,204.4	23,744.6	(6.5)	
Depreciation & Amortisation	2,965.9	2,858.3	3.8	2,865.3	3.5	5,831.2	5,638.5	3.4	Higher depreciation due to higher assets build up.
Total Operating Expenses	14,331.1	15,300.5	(6.3)	13,704.5	4.6	28,035.6	29,383.1	(4.6)	

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	53,066.9	56,737.1	65,669.7	68,702.3	71,788.3
ICPT	10,598.2	9,097.7	0.0	0.0	0.0
EBITDA	18,622.6	19,952.5	21,203.0	23,348.4	24,556.0
Depreciation & Amortisation	-11,265.7	-11,232.4	-11,394.6	-12,726.9	-13,574.1
EBIT	7,356.9	8,720.1	9,808.3	10,621.5	10,982.0
Net Finance Income/ (Cost)	-3,786.8	-3,469.1	-4,077.0	-4,572.9	-4,795.0
Associates & JV	62.4	107.5	89.2	86.4	94.3
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	5,820.5	6,134.9	6,281.3
Tax	-770.0	-1,085.2	-1,746.2	-1,840.5	-1,884.4
Profit After Tax	2,603.6	4,729.6	4,074.4	4,294.4	4,396.9
(-) Minority Interest	-166.7	31.0	116.4	122.7	125.6
Net Profit	2,770.3	4,698.6	3,958.0	4,171.7	4,271.3
(-) Exceptionals	-299.0	936.0	0.0	0.0	0.0
Core Net Profit *	3,069.3	3,762.6	3,958.0	4,171.7	4,271.3

* Core profit is not adjusted for MFRS 16

Key Financial Metrics

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Revenue Growth (%)	4.3%	6.9%	15.7%	4.6%	4.5%
EPS (sen)	48.0	81.0	68.1	71.8	73.5
Core EPS (sen)	53.2	64.9	68.1	71.8	73.5
Core EPS Growth (%)	-22.4%	22.0%	5.0%	5.4%	2.4%
DPS (sen)	46.0	51.0	44.0	47.0	48.0
Dividend Yield (%)	3.5%	3.9%	3.3%	3.5%	3.6%
P/E (x)	27.6	16.3	19.4	18.4	18.0
P/B (x)	1.3	1.3	1.2	1.2	1.2
EV/EBITDA (x)	8.2	7.3	7.8	7.5	7.3
EBITDA margin (%) ^	29.3%	30.3%	32.3%	34.0%	34.2%
EBIT margin (%) ^	11.6%	13.2%	14.9%	15.5%	15.3%
PBT margin (%) ^	5.3%	8.8%	8.9%	8.9%	8.7%
PAT margin (%) ^	4.1%	7.2%	6.2%	6.3%	6.1%
NP margin (%) ^	4.4%	7.1%	6.0%	6.1%	5.9%
CNP margin (%) ^	4.8%	5.7%	6.0%	6.1%	5.9%
ROE (%)	4.7%	7.8%	6.4%	6.6%	6.6%
ROA (%)	1.4%	2.3%	1.8%	1.8%	1.8%
Gearing (%) #	151.6%	137.6%	151.8%	161.5%	163.4%
Net gearing (%) #	119.9%	106.3%	135.5%	147.0%	149.5%

^ ICPT included in the calculation of profitability margins

Gearing includes lease liabilities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Deposits, banks & cash balances	19,390.5	19,601.1	10,435.2	9,521.1	9,397.8
Receivables	10,408.2	10,857.4	11,334.8	11,858.2	12,587.5
Inventories	2,758.0	2,543.6	2,241.3	2,285.7	2,379.1
Other current assets	8,091.5	7,306.1	7,600.3	7,716.4	7,834.5
Total Current Assets	40,648.2	40,308.2	31,611.5	31,381.3	32,198.9
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	47,489.4	50,254.9	47,773.7
Total Non-Current Assets	164,095.4	164,747.9	184,935.8	196,492.3	202,213.2
Short-term debt #	7,330.6	6,275.6	9,775.6	12,275.6	14,775.6
Payables	12,830.7	14,215.4	12,700.4	12,952.2	13,481.4
Other current liabilities	12,677.3	13,477.1	13,840.5	13,934.4	14,030.0
Total Current Liabilities	32,838.6	33,968.1	36,316.5	39,162.2	42,287.0
Long-term debt #	54,439.6	51,131.0	54,631.0	57,131.0	59,631.0
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	116,257.5	123,001.4	124,750.2
Shareholders' equity	58,825.8	60,371.1	61,658.4	63,272.4	64,811.6
Minority interest	2,256.9	2,198.6	2,315.0	2,437.7	2,563.3
Total Equity	61,082.7	62,569.7	63,973.4	65,710.1	67,374.9

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	5,820.5	6,134.9	6,281.3
Depreciation & amortisation	11,265.7	11,232.4	11,394.6	12,726.9	13,574.1
Changes in working capital	18,164.1	4,225.0	-3,494.1	-291.4	-267.8
Others	-560.0	1,106.1	-497.8	3,081.3	3,195.0
Operating cash flow	32,243.4	22,378.3	13,223.2	21,651.8	22,782.6
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	-2,557.7	-2,732.1
Others	-10,774.3	-10,022.7	281.5	-2,008.2	-2,173.8
Financing cash flow	-13,311.8	-13,096.4	-2,389.2	-4,565.9	-4,905.8
Net cash flow	13,146.9	-2,055.5	-9,165.9	-914.1	-123.2
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	6,046.9	5,132.8
Ending cash and cash equivalents	17,225.2	15,212.8	6,046.9	5,132.8	5,009.5
Deposits with maturity > 90 days & others	2,165.3	4,388.3	4,388.3	4,388.3	4,388.3
Deposits, bank and cash balances	19,390.5	19,601.1	10,435.2	9,521.1	9,397.8

DCF Valuation	Value (RM m)	Valuation method
Enterprise Value	180,425.2	WACC: 7.1%, g: 2.0%
(-) Net Debt/(Cash)	86,236.1	
(-) Minority Interests	2,315.0	
Total Equity Value	91,874.1	
Enlarged share base (m share)	5,826.9	
Equity Value/share (RM)	15.77	
ESG premium/discount	0.0%	
Fair Value (RM)	15.77	

Source: Company, Apex Securities

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, 03 Sep, 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.