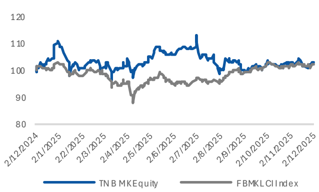
Ong Tze Hern
(603) 7890 8888 (ext 2113)
tzehern.ong@apexsecurities.com.my

Recommendation:		BUY
Current Price:		RM 13.32
Previous Target Price:		RM 15.77
Target Price:	↔	RM 15.77
Capital Upside/Downside:		18.4%
Dividend Yield (%):		3.3%
Total Upside/Downside:		**21.7%**

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)	77,644.2
52-Week Price Range (RM)	15.04-12.66
Beta (x)	1.0
Free float (%)	66.2
3M Average Volume (m)	5.2
3M Average Value (RM' m)	68.9

Top 3 Shareholders	(%)
Employees Provident Fund Board	20.2
Khazanah Nasional Bhd	18.1
Amanah Saham Nasional Bhd	11.2

Share Price Performance



	1M	3M	12M
Absolute (%)	0.3	0.6	-1.2
Relative (%)	-0.7	-2.4	-3.0

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)	16.4	19.6	18.6

Source: Company, Apex Securities

Tenaga Nasional Berhad

Tax Overhang Cleared

- **All RIA-related disputed taxes for YA 2003–2024 have been fully settled, and prior-year financial statements have been restated to reflect the actual tax expense, eliminating the need for further provisions. Following the MoF's approval of Investment Allowance (IA) under Schedule 7B (quantum undisclosed), the effective tax rate is expected to trend lower as the approved IA is utilised to offset future taxable income.**
- **Under Category 1 of the RFP, TENAGA has received LON for the extension of the Gelugor, Putrajaya, and Tuanku Jaafar power plants, totalling 1,262MW of capacity. These extensions enhance earnings visibility and strengthen Genco's medium-term outlook.**
- **DC demand remains robust, with an estimated 700MW of new ESAs signed in 3QFY25.**
- **FY25 electricity demand growth guidance has been revised to 2.8%, the lower end of the earlier 2.8–3.8% range, but remains consistent with RP4 projections.**
- **FY25 capex guidance has been trimmed to RM15bn (RM12bn regulated, RM3bn unregulated) from RM18bn, with the RM3bn cut entirely from unregulated projects, likely due to timing deferrals into early-2026 rather than cancellations.**
- **No changes to our earnings forecasts. The prior-year restatements relating to RIA disputes which resulted in a cumulative RM10.5bn reduction in retained earnings remain subject to further disclosure for the 2003-2023 financial statements.**
- **Maintain BUY with an unchanged TP of RM15.77, based on DCF valuation (WACC 7.1%, g 2.0%), which implies 22x FY26F EPS.**

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

No Concerns on Future Tax Expense or Provision. Management clarified that all Reinvestment Allowance (RIA)-related disputed taxes for YA 2003–2024 have been fully settled, and prior-year financial statements have been restated to reflect the actual tax expense. This resulted in a cumulative RM10.5bn reduction in retained earnings, effectively removing the need for any future provisions. Following the Ministry of Finance's approval of Investment Allowance (IA) under Schedule 7B (quantum undisclosed), TENAGA now expects a lower effective tax rate going forward as the approved IA is utilised to offset future taxable income. The timing of recognition will depend on the final approved amount. The 3QFY25 effective tax rate of 25% (2QFY25: 26.7%) reflected higher capital allowance claims from new assets and is unrelated to Schedule 7B. Management guided that the effective tax rate should trend below the earlier indicated 30% once IA utilisation commences.

LON Awarded for 1.3GW Gas Power Plant Extensions (Category 1). Under Category 1 of the RFP for gas plant extensions, TENAGA has received Letters of Notification (LON) outlining the technical and commercial terms for the extension of the Gelugor, Putrajaya, and Tuanku Jaafar power plants, with a combined capacity of 1,262MW. The extensions will involve rehabilitation works, with COD expected between 2028 and 2029. Until COD, the plants will continue operating under their existing PPAs, after which they will transition into the First-Tier Capacity Payment structure, which typically applies during the early years of a renewed PPA before stepping down into the Second-Tier over the remainder of the contract. Timelines for Category 2 (new-build gas plants) remain unchanged, with the award expected by end-2025 and COD targeted in 2028, consistent with the standard 36 to 42-month development cycle. These extensions enhance earnings visibility and support Genco's medium-term outlook.

700MW of New ESAs Signed in 3QFY25. ESA signings accelerated in 3QFY25, with c.700MW of maximum demand secured across 4 data centre projects. This follows c.500MW in 1QFY25 and around c.40MW in 2QFY25. Focus now shifts to execution as data centres commence construction and progressively increase load. Notably, load utilisation rose to 850MW in October 2025, up from 701MW in September and 603MW in June, underscoring the structural step-up in data centre-related electricity demand.

Electricity Demand Growth Expected at Lower End of Guidance. Electricity demand expanded 1.6% YoY in 9MFY25, lifted by strong Commercial growth (+7.7%), with 5.2% contributed by data centres, 2.2% by retail and business services, and 0.2% by others (Figure 2). Management revised FY25 demand growth to 2.8%, the lower bound of the earlier 2.8–3.8% guidance. Fortunately, the revised forecast remains within RP4 projections (2025: +2.8% YoY to 134,560GWh).

Opex Expected to Rise Slightly in 4QFY25. Non-generation opex rose 1.1% QoQ in 3QFY25, driven by higher repair and maintenance costs (+9.4%), general expenses (+7.5%), and subsidiaries' cost of sales and general expenses (+12.7%) (Figure 3). Management expects opex to increase marginally again in 4QFY25, although the impact should be manageable given the anticipated uplift in revenue moving into year-end.

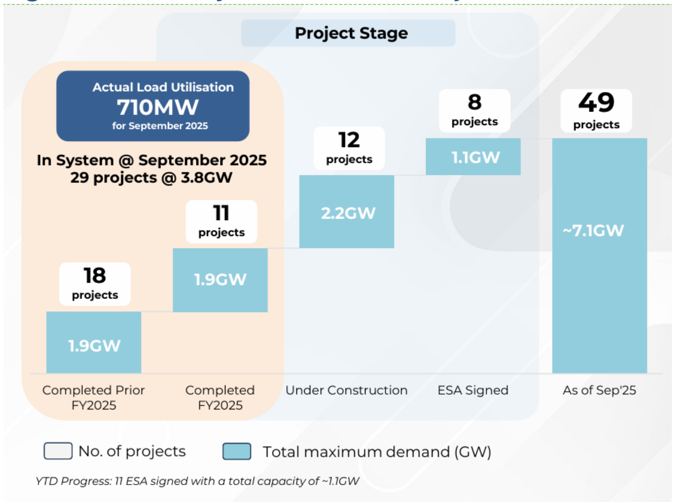
2025 Capex Guidance Reduced by RM3bn. TENAGA has further revised its FY25 capex guidance to RM15bn (RM12bn regulated, RM3bn unregulated) from RM18bn previously, with the entire reduction stemming from unregulated capex. We believe the cut reflects timing deferrals into 2026 rather than project cancellations, potentially influenced by the sizable tax settlements recorded during the quarter. Meanwhile, c.RM700m of contingent capex has been deployed in 9MFY25 (versus RM250m in 1HFY25) out of the RM8.3bn regulated capex already spent. Discussions with the regulator on the recovery mechanism for contingent capex remain ongoing.

Earnings Revision. No changes to our earnings forecasts. The prior-year restatements relating to RIA disputes which resulted in a cumulative RM10.5bn reduction in retained earnings remain subject to further disclosure for the 2003-2023 financial statements. These adjustments pertain solely to historical tax recognition and do not have a material bearing on forward earnings, and therefore do not warrant revisions to our projections.

Valuation and Recommendation. Maintain **BUY** with an unchanged TP of **RM15.77**, based on DCF valuation (WACC 7.1%, g 2.0%), which implies 22x FY26F EPS. No ESG premium or discount is applied, consistent with TENAGA's three-star ESG rating. We view the resolution of the long-standing RIA tax disputes, together with the tax-shielding effect of the approved IA, as a strong re-rating catalyst for TENAGA.

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

Figure 1: Summary of Data Centre Projects



Source: Company

Figure 2: Electricity Demand Growth

Sector (GWh)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)	Comments
Industrial	11,237.0	11,651.0	*(3.6)*	10,973.0	*2.4*	32,802.0	34,031.0	*(3.6)*	*YoY drop due to lower demand from iron & steel and utility electrical.*
Commercial	13,053.0	11,883.0	*9.8*	12,555.0	*4.0*	37,280.0	34,626.0	*7.7*	*Stronger data centre, retails and business service demand YTD.*
Domestic	9,649.0	9,144.0	*5.5*	9,546.0	*1.1*	27,770.0	27,726.0	*0.2*	
Others	714.0	680.0	*5.0*	694.0	*2.9*	2,078.0	1,995.0	*4.2*	
Total	**34,653.0**	**33,358.0**	***3.9***	**33,768.0**	***2.6***	**99,930.0**	**98,378.0**	***1.6***	

Source: Company, Apex Securities

Figure 3: Operating Expenses Breakdown

FYE Dec (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)	Comments
Non-TNB IPPs costs	4,084.5	4,612.0	*(11.4)*	4,304.0	*(5.1)*	12,848.4	13,540.2	*(5.1)*	
TNB Fuel Costs	4,174.5	4,273.6	*(2.3)*	3,988.1	*4.7*	11,716.3	13,161.4	*(11.0)*	*YoY decline from lower fuel prices (coal & gas).*
Total Generations Costs	**8,259.0**	**8,885.6**	***(7.1)***	**8,292.1**	***(0.4)***	**24,564.7**	**26,701.6**	***(8.0)***	
Staff Costs	905.4	911.5	*(0.7)*	1,071.3	*(15.5)*	2,993.5	2,830.0	*5.8*	
Repair and Maintenance	892.7	837.7	*6.6*	815.7	*9.4*	2,441.8	2,330.9	*4.8*	
TNB General Expenses	578.9	518.7	*11.6*	538.4	*7.5*	1,558.8	1,382.0	*12.8*	
Subsidiaries' Cost of Sales & General Expenses	730.1	1,142.3	*(36.1)*	647.7	*12.7*	2,011.7	2,795.9	*(28.0)*	*9MFY24 includes associate impairment RM225.1m &*
Total Non-Generation Costs	**3,107.1**	**3,410.2**	***(8.9)***	**3,073.1**	***1.1***	**9,005.8**	**9,338.8**	***(3.6)***	*derecognition of subsidiary balances upon winding up.*
Total Operating Expenses (Excluding D&A)	**11,366.1**	**12,295.8**	***(7.6)***	**11,365.2**	***0.0***	**33,570.5**	**36,040.4**	***(6.9)***	
Depreciation & Amortisation	3,006.9	2,882.0	*4.3*	2,965.9	*1.4*	8,838.1	8,520.5	*3.7*	*Higher depreciation due to higher assets build up.*
Total Operating Expenses	**14,373.0**	**15,177.8**	***(5.3)***	**14,331.1**	***0.3***	**42,408.6**	**44,560.9**	***(4.8)***	

Source: Company, Apex Securities

APEX SECURITIES 鼎峰证券有限公司

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/AFA	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 MFRS16*

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%	3.8%	3.3%	3.5%	3.6%
P/E (x)	27.8	16.4	19.6	18.6	18.1
P/B (x)	1.3	1.3	1.3	1.2	1.2
EV/EBITDA (x)	8.2	7.3	7.8	7.6	7.4
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 calculatation of profitability margins

 # Gearing includes lease liabilities

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

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	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	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 liabilties

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**

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 **Tuesday, 02 Dec, 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.