

## Research Team

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Recommendation:	BUY
Current Price:	RM 14.38
Previous Target Price:	RM 15.77
Target Price:	16.77
Capital Upside/Downside:	16.6%
Dividend Yield (%):	3.7%
<b>Total Upside/Downside:</b>	<b>20.3%</b>

## 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)	83,823.1
52-Week Price Range (RM)	14.98-12.5
Beta (x)	0.9
Free float (%)	68.4
3M Average Volume (m)	7.3
3M Average Value (RM' m)	98.5

## Top 3 Shareholders

	(%)
Employees Provident Fund Board	23.3
Khazanah Nasional Bhd	15.8
Amanah Saham Nasional Bhd	11.3

## Share Price Performance



	1M	3M	12M
Absolute (%)	3.2	9.1	5.7
Relative (%)	4.6	3.6	-3.0

## Earnings Summary

FYE Dec (RM m)	FY26F	FY27F	FY28F
Revenue	65,669.7	68,702.3	71,788.3
PATAMI	3,958.0	4,539.8	4,658.5
CNP	3,958.0	4,539.8	4,658.5
Core EPS (sen)	68.1	78.1	80.1
PE(x)	19.6	17.1	16.6

Source: Company, Apex Securities

# Tenaga Nasional Berhad

## A High Voltage Outperformance

- **FY25 Outperformance: Core Net Profit (CNP) of RM4.44bn (+18% YoY) beat estimates by 12%, driven by robust electricity sales and a lower effective tax rate (ETR) of 22.8%. Total DPS of 53.0 sen (65.6% payout ratio) exceeding management's 30–60% dividend policy range.**
- **Tax Resolution: Settled RM10.5bn in historical tax disputes (YA 2003–2024), de-risking the balance sheet. Future ETR is anchored at ~24% (vs. 30% prior) via the new Schedule 7B Investment Allowance (IA).**
- **Looking ahead: We expect sustained growth to be supported by a higher Regulated Asset Base (RAB) expanding toward RM75.4bn under the RP4 framework, a 10GW power generation project pipeline, and improved cash flow predictability from the Monthly Automatic Fuel Adjustment (AFA) mechanism.**
- **Earnings & Valuation: FY26–27 earnings forecasts raised by 8.8–9.1%; introduced FY28 CNP target of RM5.25bn. Maintain BUY with a revised Target Price of RM16.77 (from RM15.77).**

**Exceeded Expectations.** TENAGA's FY25 core net profit (CNP) of RM4.44bn firmly surpassed our estimates (112%) but matching consensus expectations (98%). The outperformance was primarily driven by a lower-than-anticipated effective tax rate of 22.8% (vs. Management's 30.0% estimate), following the resolution of the long-standing tax dispute. The favorable variance was largely due to the utilization of the newly approved Investment Allowance (IA) under Schedule 7B, which effectively cushioned the impact from the cessation of reinvestment allowances (RA) during the year.

**Higher Dividends Declared.** The Group declared a final dividend of 28.0sen in 4QFY25 (4QFY24: 26.0sen), bringing FY25 DPS to 53.0sen (FY24: 51.0sen).

**YoY.** Excluding Eis such as forex gains (RM318.0m), impairment losses on intangibles (RM166.8m), impairment losses on PPE (RM117.8m), and other adjustments, 4QFY25 CNP surged 96.7% yoy to RM1379.5m. This robust expansion was underpinned by a 22.4% increase in revenue to RM17.6bn, driven by higher electricity sales and the commencement of the Regulatory Period 4 (RP4) framework. The bottom line was further bolstered by a 57.8% jump in other operating income to RM573.3m and improved joint venture contributions (+22.5% yoy). Notably, the share of results from associates saw a significant turnaround, recording a profit of RM29.5m compared to a loss of RM202.2m in 4QFY24. This reversal was largely attributed to the absence of the one-off hyperinflationary accounting adjustments in Türkiye that heavily impacted prior-year earnings. Finally, profitability was significantly enhanced by a substantially lower effective tax rate of 22.8%, following the successful resolution of the tax dispute and the subsequent utilization of Investment Allowance (IA) claims under Schedule 7B. Consequently, the CNP margin improved 3.9 ppts to 8.3% yoy.

**YTD.** For the full year, FY25 CNP rose 18.1% yoy to RM4.4bn underpinned by a robust 19.4% surge in revenue to RM67.7bn primarily driven by increased electricity sales. Profitability was further bolstered by a 15.5% increase in other operating income to RM1.2bn and a 2.5% reduction in finance costs following strategic debt management. A standout feature was the significant turnaround in the generation business (Genco), which posted a PAT of RM421.4m (FY24: RM178.9m). This expansion was achieved through optimized fuel management and a marked reduction in negative fuel margins, effectively replacing the high base effect of the prior year which had been supported by a one-off RM163.0m Liquidated Ascertained Damages (LAD) claim at Southern Power Generation.

**QoQ.** Core net profit (CNP) jumped 18.5% to RM1,379.5m, supported by a significant 126.2% surge in other operating income to RM573.3m. This spike was primarily driven by the recovery of insurance claims for Genco subsidiaries, which effectively recognized compensation for previous operational interruptions—a tailwind management expects to continue into FY26. The Group's

performance was further bolstered by a robust sequential turnaround in its joint ventures and associates, which saw their share of results grow by 113.7% and 298.6% respectively. Profitability was also enhanced by a lower effective tax rate, resulting from the previously mentioned Investment Allowance (IA) claims under Schedule 7B and a favourable movement in deferred tax provisions tied to the net reversal of impairment on financial instruments (doubtful debt).

**Electricity Demand Growth Driven by Domestic Sector and Data Centre.** In 4QFY25, electricity demand grew by 4.6% yoy, primarily fueled by a 16.5% surge in the Commercial sector. This robust growth is largely attributed to the structural shift from data center expansions, which are categorized within this segment. Additionally, the "Others" sector recorded a significant 176.4% increase, supported by higher consumption from water and sewage operators, agriculture, public lighting, and mining activities. On a full-year basis, FY25 demand growth reached 2.3% yoy, trailing Malaysia's 5.2% GDP growth due to a 7.3% contraction in the Industrial segment. This industrial sluggishness was mainly caused by reduced demand within the iron, steel, and utility electrical sectors.

**Briefing Takeaways.** Management expects to accelerate capital deployment in FY26, guiding for a total CAPEX of RM18.0 bil—comprising RM13.0 bil in regulated spending (RM9.3 bil base; RM3.7 bil contingent) and RM5.0 bil for non-regulated growth—with an overall utilization target of 80–85% of the RM42.82 bil RP4 framework. Domestic momentum is headlined by the secured data centre pipeline reaching ~7.5GW of maximum demand, alongside a strategic pivot toward high-value GPU-based AI facilities and the receipt of Letters of Notification (LON) for 1,262MW of gas plant extensions. Internationally, the focus remains on scaling the renewable energy portfolio, particularly in the resilient Australian market, while the CRESS framework and the Malaysia-Singapore interconnection (COD 2029–2030) reinforce leadership in the ASEAN Power Grid. Operational efficiency remains a core strength, evidenced by an improved Energy Availability Factor (EAF) of 87.8% (up from 84.3% in 2024) and world-class reliability with SAIDI at 46.93 minutes, supporting a finalized FY25 dividend of 53.0 sen—representing a 65.6% payout ratio that sits comfortably above the 30–60% policy benchmark.

**Outlook.** Looking ahead, we expect sustained sequential growth as the Regulated Asset Base (RAB) expands toward RM75.8bn, underpinned by the RM42.82bn RP4 CAPEX framework to support the National Energy Transition Roadmap (NETR). Earnings will be further optimized by the Schedule 7B Investment Allowance, which is expected to lower the effective tax rate to ~24%, while the Automatic Fuel Adjustment (AFA) mechanism enhances predictability by improving immediate fuel cost recovery and overall working capital. Non-regulated growth is anchored by strategic regional interconnections and leadership in the ASEAN Power Grid (APG), establishing high-margin wheeling charges through initiatives like ENEGEM and the Tripartite Energy Wheeling Agreement. With a robust 10GW generation pipeline and ~7.5GW of secured data centre demand, Tenaga remains the primary beneficiary of Malaysia's structural energy transition and the regional digital infrastructure boom.

**Earnings Revision.** Post-analyst briefing, we have revised our FY26 and FY27 earnings forecasts upward by 8.8% and 9.1% respectively. These upgrades are primarily driven by the resolution of long-standing RIA tax disputes (YA 2003–2024), which has effectively cleared the balance sheet of historical tax overhangs and eliminated the need for further provisions. Moving forward, the Group's effective tax rate is expected to structurally improve following the approval of the Schedule 7B Investment Allowance (IA). Management has provided new guidance of approximately 24% for future years, a significant reduction from the prior 30% benchmark. While specific incentive figures remain confidential, the allowance is tied to historical CAPEX claims up to approved limits; consequently, we have adjusted our tax assumptions to 24% for FY26 onwards to reflect this improved long-term outlook. We also introduce our FY28 earnings forecast of RM5.25bn, underpinned by the expanding Regulated Asset Base and optimized tax efficiency.

**Valuation and Recommendation.** We maintain our BUY rating with a revised Target Price of RM16.77 (from RM15.77). This valuation adjustment incorporates the structural uplift in earnings visibility from the Schedule 7B Investment Allowance—which anchors the long-term effective tax

# Results Note

Monday, 02 Mar, 2026

rate at ~24%. Tenaga remains the primary beneficiary of Malaysia's energy transition, supported by a secured 7.5GW data centre pipeline and strategic leadership in the ASEAN Power Grid.

**Risk.** Rapid plunge in coal prices, unplanned shutdowns of power plants, weakening of Ringgit, policy risk.

## Results Comparison

FYE Dec (RM m)	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	12MFY25	12MFY24	yoy (%)	Comments
Revenue	17,599.7	14,378.3	22.4	17,249.7	2.0	67,723.1	56,737.1	19.4	
ICPT/AFA	(920.2)	1,726.1	nm	(1,053.9)	(12.7)	(2,738.6)	9,097.7	nm	ICPT/AFA over-recovery as fuel cost was below forecast.
Operating expenses (exclusive of depreciation)	(12,146.8)	(11,685.5)	3.9	(11,366.1)	6.9	(45,717.3)	(47,725.9)	(4.2)	
Net loss on impairment of financial instruments	323.5	771.3	(58.7)	(264.8)	nm	32.9	789.1	(95.8)	Movement due to Impairment reassessment of debtor.
Other operating income	573.3	363.4	57.8	253.4	126.2	1,217.6	1,054.5	15.5	
<b>EBITDA</b>	<b>5,429.5</b>	<b>5,553.6</b>	<b>(2.2)</b>	<b>4,818.3</b>	<b>12.7</b>	<b>20,517.7</b>	<b>19,952.5</b>	<b>2.8</b>	
Depreciation & amortisation	(3,147.5)	(2,711.9)	16.1	(3,006.9)	4.7	(11,985.6)	(11,232.4)	6.7	Higher depreciation due to higher assets build up.
<b>EBIT</b>	<b>2,282.0</b>	<b>2,841.7</b>	<b>(19.7)</b>	<b>1,811.4</b>	<b>26.0</b>	<b>8,532.1</b>	<b>8,720.1</b>	<b>(2.2)</b>	
Forex gain / (loss)	318.0	(604.5)	nm	3.8	8,268.4	702.6	467.4	50.3	Forex gain due to strengthening of Ringgit.
Finance income	134.0	183.3	(26.9)	132.4	1.2	631.4	628.7	0.4	
Finance costs	(1,002.6)	(1,078.4)	(7.0)	(1,013.1)	(1.0)	(3,994.5)	(4,097.8)	(2.5)	
FV changes of financial instruments	44.2	(6.1)	nm	258.0	(82.9)	217.2	(11.1)	nm	Movement due to Impairment reassessment of debtor.
Share of results of JVs	10.9	8.9	22.5	5.1	113.7	23.8	23.2	2.6	
Share of results of associates	29.5	(202.2)	nm	7.4	298.6	64.0	84.3	(24.1)	Hyperinflationary accounting (+RM225.1m) from associate in Türkiye in 2QFY24.
<b>Pre-tax profit</b>	<b>1,816.0</b>	<b>1,142.7</b>	<b>58.9</b>	<b>1,205.0</b>	<b>50.7</b>	<b>6,176.6</b>	<b>5,814.8</b>	<b>6.2</b>	
Taxation & zakat	(163.9)	(234.9)	(30.2)	(301.5)	(45.6)	(1,406.8)	(1,085.2)	29.6	Higher tax expense YoY from cessation of reinvestment allowance in 2025, but lower QoQ due to higher capital allowance claim.
<b>Profit after tax</b>	<b>1,652.1</b>	<b>907.8</b>	<b>82.0</b>	<b>903.5</b>	<b>82.9</b>	<b>4,769.8</b>	<b>4,729.6</b>	<b>0.8</b>	
(-) Minority interest	(23.0)	(46.7)	(50.7)	26.6	nm	1.7	31.0	(94.5)	
<b>Net profit</b>	<b>1,675.1</b>	<b>954.5</b>	<b>75.5</b>	<b>876.9</b>	<b>91.0</b>	<b>4,768.1</b>	<b>4,698.6</b>	<b>1.5</b>	
<b>Core net profit *</b>	<b>1,379.5</b>	<b>701.5</b>	<b>96.7</b>	<b>1,164.0</b>	<b>18.5</b>	<b>4,443.7</b>	<b>3,762.6</b>	<b>18.1</b>	
Core EPS (sen)	23.7	12.1	95.8	20.0	18.5	76.3	64.9	17.6	
DPS (sen)	28.0	26.0	7.7	-	nm	53.0	51.0	3.9	
EBITDA margin (%) ^	32.6%	34.5%	-1.9%	29.8%	2.8%	31.6%	30.3%	1.3%	
EBIT margin (%) ^	13.7%	17.6%	-4.0%	11.2%	2.5%	13.1%	13.2%	-0.1%	
PBT margin (%) ^	10.9%	7.1%	3.8%	7.4%	3.4%	9.5%	8.8%	0.7%	
Effective tax rate (%) ^	9.0%	20.6%	-11.5%	25.0%	-16.0%	22.8%	18.7%	4.1%	
Core net profit margin (%) ^	8.3%	4.4%	3.9%	7.2%	1.7%	6.8%	5.7%	1.1%	

\* Core profit is not adjusted for MFRS 16

^ ICPT/AFA included in the calculation of profitability margins

Source: Company, Apex Securities

## Electricity Sales Breakdown

FYE Dec (RM m)	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	12MFY25	12MFY24	yoy (%)	Comments
TNB (Peninsular Malaysia)	15,260.2	13,001.5	17.4	15,091.7	1.1	56,595.0	52,675.0	7.4	YoY growth due to higher electricity demand in all sectors apart from industrial
SESB (Sabah)	582.7	565.2	3.1	602.0	(3.2)	2,334.8	2,280.5	2.4	
Accrued revenue	180.6	37.3	384.2	618.9	(70.8)	824.0	161.7	409.6	
Energy Export	37.3	24.7	51.0	46.1	(19.1)	170.9	25.3	575.5	Higher export from Cross Border Electricity Sales commenced in 4QFY24.
TNBI	182.3	170.6	6.9	209.6	(13.0)	830.3	876.7	(5.3)	
<b>Sub-total</b>	<b>16,243.1</b>	<b>13,799.3</b>	<b>17.7</b>	<b>16,568.3</b>	<b>(2.0)</b>	<b>60,755.0</b>	<b>56,019.2</b>	<b>8.5</b>	
Other regulatory adjustment	262.7	(246.0)	nm	(109.2)	nm	3,748.0	(2,119.9)	nm	higher due to transitioning of tariff schedule
Tariff support subsidy	97.7	78.7	24.1	94.4	3.5	367.7	311.0	18.2	
Fuel subsidy- SESB	277.1	78.8	251.6	95.8	189.2	556.0	335.4	65.8	
<b>Total sales of electricity</b>	<b>16,880.6</b>	<b>13,710.8</b>	<b>23.1</b>	<b>16,649.3</b>	<b>1.4</b>	<b>65,426.7</b>	<b>54,545.7</b>	<b>19.9</b>	
Goods and services	440.9	545.0	(19.1)	322.9	36.5	1,368.7	1,456.9	(6.1)	
Construction contracts	124.0	31.9	288.7	61.6	101.3	249.8	124.7	100.3	
Insurance contract revenue	31.6	-	nm	110.6	(71.4)	296.3	299.6	(1.1)	
Customers' contribution	122.6	90.6	35.3	105.3	16.4	381.6	310.2	23.0	
<b>Total Revenue</b>	<b>17,599.7</b>	<b>14,378.3</b>	<b>22.4</b>	<b>17,249.7</b>	<b>2.0</b>	<b>67,723.1</b>	<b>56,737.1</b>	<b>19.4</b>	

Source: Company, Apex Securities

## Operating Expenses Breakdown

FYE Dec (RM m)	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	12MFY25	12MFY24	yoy (%)	Comments
Non-TNB IPPs costs	3,623.4	4,086.7	(11.3)	4,084.5	(11.3)	16,471.8	17,626.9	(6.6)	
TNB Fuel Costs	4,568.5	4,298.6	6.3	4,174.5	9.4	16,284.8	17,460.0	(6.7)	QoQ increase due to higher distillate consumption
<b>Total Generations Costs</b>	<b>8,191.9</b>	<b>8,385.3</b>	<b>(2.3)</b>	<b>8,259.0</b>	<b>(0.8)</b>	<b>32,756.6</b>	<b>35,086.9</b>	<b>(6.6)</b>	YoY decline from lower fuel prices (coal & gas).
Staff Costs	-	893.5	nm	905.4	nm	2,993.5	3,723.5	nm	Breakdown of Non-gen cost not provided in latest slides
Repair and Maintenance	-	916.7	nm	892.7	nm	2,441.8	3,247.6	nm	
TNB General Expenses	-	810.4	nm	578.9	nm	1,558.8	2,192.4	nm	
Subsidiaries' Cost of Sales & General Expenses	-	679.7	nm	730.1	nm	2,011.7	3,475.6	nm	
<b>Total Non-Generation Costs</b>	<b>3,954.9</b>	<b>3,300.3</b>	<b>19.8</b>	<b>3,107.1</b>	<b>27.3</b>	<b>12,960.7</b>	<b>12,639.1</b>	<b>2.5</b>	Higher computer expense for software and cyber security systems
<b>Total Operating Expenses (Excluding D&amp;A)</b>	<b>12,146.8</b>	<b>11,685.6</b>	<b>3.9</b>	<b>11,366.1</b>	<b>6.9</b>	<b>45,717.3</b>	<b>47,726.0</b>	<b>(4.2)</b>	
Depreciation & Amortisation	3,147.5	2,711.9	16.1	3,006.9	4.7	11,985.6	11,232.4	6.7	Higher depreciation due to higher assets build up.
<b>Total Operating Expenses</b>	<b>15,294.3</b>	<b>14,397.5</b>	<b>6.2</b>	<b>14,373.0</b>	<b>6.4</b>	<b>57,702.9</b>	<b>58,958.4</b>	<b>(2.1)</b>	

Source: Company, Apex Securities

## Electricity Demand

Sector (GWh)	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	12MFY25	12MFY24	yoy (%)	Comments
Industrial	9,097.0	11,162.0	(18.5)	11,237.0	(9.0)	41,899.0	45,193.0	(7.3)	YoY drop due to lower demand from iron & steel and utility electrical.
Commercial	13,939.0	11,967.0	16.5	13,053.0	6.8	51,219.0	46,593.0	9.9	Stronger data centre, retail and business service demand YTD.
Domestic	9,022.0	8,650.0	4.3	9,649.0	(6.5)	36,792.0	36,376.0	1.1	
Others	1,907.0	690.0	176.4	714.0	167.1	3,985.0	2,685.0	48.4	Stronger Operators, Water & Sewage, Agriculture, Public Lighting and Mining
<b>Total</b>	<b>33,965.0</b>	<b>32,469.0</b>	<b>4.6</b>	<b>34,653.0</b>	<b>(2.0)</b>	<b>133,895.0</b>	<b>130,847.0</b>	<b>2.3</b>	

Source: Company, Apex Securities

# Results Note

Monday, 02 Mar, 2026

## Genco (Domestic Generation)

FYE Dec (RM m)	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	12MFY25	12MFY24	yoy (%)	Comments
Revenue	6,316.1	6,155.8	2.6	5,697.9	10.8	23,783.7	24,101.2	(1.3)	
EBIT	400.9	82.0	388.9	349.1	14.8	1,480.0	1,268.8	16.6	
Fuel Margin	76.3	(61.8)	nm	(75.2)	nm	(68.5)	(153.8)	(55.5)	
<b>PAT</b>	<b>189.0</b>	<b>(247.4)</b>	<b>nm</b>	<b>111.2</b>	<b>70.0</b>	<b>421.4</b>	<b>178.9</b>	<b>135.6</b>	<i>Driven by strong operating performance and claims</i>

Source: Company, Apex Securities

## Financial Highlights

### Income Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
<b>Revenue</b>	<b>56,737.1</b>	<b>67,723.1</b>	<b>68,702.3</b>	<b>71,788.3</b>	<b>76,134.0</b>
ICPT/AFA	9,097.7	-2,738.6	0.0	0.0	0.0
<b>EBITDA</b>	<b>19,952.5</b>	<b>20,517.7</b>	<b>23,348.4</b>	<b>24,556.0</b>	<b>25,663.5</b>
Depreciation & Amortisation	-11,232.4	-11,985.6	-12,726.9	-13,574.1	-13,834.9
<b>EBIT</b>	<b>8,720.1</b>	<b>8,532.1</b>	<b>10,621.5</b>	<b>10,982.0</b>	<b>11,828.7</b>
Net Finance Income/ (Cost)	-3,469.1	-3,363.1	-4,572.9	-4,781.0	-4,823.3
Associates & JV	107.5	241.0	86.4	94.3	90.0
Forex gain/(loss)	467.4	702.6	0.0	0.0	0.0
FV changes of financial instruments	-11.1	217.2	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>5,814.8</b>	<b>6,176.6</b>	<b>6,134.9</b>	<b>6,295.3</b>	<b>7,095.3</b>
Tax	-1,085.2	-1,406.8	-1,472.4	-1,510.9	-1,702.9
<b>Profit After Tax</b>	<b>4,729.6</b>	<b>4,769.8</b>	<b>4,662.5</b>	<b>4,784.4</b>	<b>5,392.4</b>
(-) Minority Interest	31.0	1.7	122.7	125.9	141.9
<b>Net Profit</b>	<b>4,698.6</b>	<b>4,768.1</b>	<b>4,539.8</b>	<b>4,658.5</b>	<b>5,250.5</b>
(-) Exceptionals	936.0	324.4	0.0	0.0	0.0
<b>Core Net Profit *</b>	<b>3,762.6</b>	<b>4,443.7</b>	<b>4,539.8</b>	<b>4,658.5</b>	<b>5,250.5</b>

\* Core profit is not adjusted for MFRS16

### Key Financial Metrics

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue Growth (%)	6.9%	19.4%	4.6%	4.5%	6.1%
EPS (sen)	81.0	81.9	78.1	80.1	90.3
Core EPS (sen)	64.9	76.3	78.1	80.1	90.3
Core EPS Growth (%)	22.0%	45.0%	14.7%	2.6%	12.7%
DPS (sen)	51.0	53.0	51.0	52.0	50.0
Dividend Yield (%)	3.8%	3.8%	3.8%	3.9%	3.8%
P/E (x)	16.4	16.4	17.1	16.6	14.7
P/B (x)	1.3	1.3	1.2	1.2	1.2
EV/EBITDA (x)	7.3	7.3	7.5	7.3	7.2
EBITDA margin (%) ^	30.3%	31.6%	34.0%	34.2%	33.7%
EBIT margin (%) ^	13.2%	13.1%	15.5%	15.3%	15.5%
PBT margin (%) ^	8.8%	9.5%	8.9%	8.8%	9.3%
PAT margin (%) ^	7.2%	7.3%	6.8%	6.7%	7.1%
NP margin (%) ^	7.1%	7.3%	6.6%	6.5%	6.9%
CNP margin (%) ^	5.7%	6.8%	6.6%	6.5%	6.9%
ROE (%)	7.8%	9.0%	7.1%	7.1%	7.8%
ROA (%)	2.3%	2.4%	2.0%	2.0%	2.2%
Gearing (%) #	137.6%	111.5%	160.6%	162.2%	164.5%
Net gearing (%) #	106.3%	87.2%	145.6%	147.6%	149.6%

^ ICPT included in the calculation of profitability margins

# Gearing includes lease liabilities

DCF Valuation	Value (RM m)	Valuation method
Enterprise Value	186,217.4	WACC: 7.2% g: 2.0%
(-) Net Debt/(Cash)	86,236.1	
(-) Minority Interests	2,315.0	
<b>Total Equity Value</b>	<b>###</b>	
Enlarged share base (m share)	5,824.4	
<b>Equity Value/ share (RM)</b>	<b>16.77</b>	
ESG premium/discount	0.0%	
<b>Fair Value (RM)</b>	<b>16.77</b>	

Source: Company, Apex Securities

### Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Deposits, banks & cash balances	19,390.5	12,866.7	9,889.2	9,920.9	10,373.7
Receivables	10,408.2	6,689.7	11,858.2	12,587.5	13,349.5
Inventories	2,758.0	2,561.8	2,285.7	2,379.1	2,538.0
Other current assets	8,091.5	6,398.3	7,716.4	7,834.5	8,000.8
<b>Total Current Assets</b>	<b>40,648.2</b>	<b>28,516.5</b>	<b>31,749.4</b>	<b>32,722.0</b>	<b>34,262.0</b>
Fixed Assets	121,932.1	132,884.8	146,237.5	154,439.6	160,092.1
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	42,163.3	36,953.2	50,254.9	47,773.7	48,158.7
<b>Total Non-Current Assets</b>	<b>164,095.4</b>	<b>169,838.0</b>	<b>196,492.3</b>	<b>202,213.2</b>	<b>208,250.8</b>
Short-term debt #	7,330.6	11,951.7	12,275.6	14,775.6	16,275.6
Payables	12,830.7	11,011.0	12,952.2	13,481.4	14,382.2
Other current liabilities	12,677.3	13,616.2	13,934.4	14,030.0	14,164.6
<b>Total Current Liabilities</b>	<b>32,838.6</b>	<b>36,578.9</b>	<b>39,162.2</b>	<b>42,287.0</b>	<b>44,822.3</b>
Long-term debt #	54,439.6	47,134.0	57,131.0	59,631.0	61,131.0
Other non-current liabilities	56,382.7	61,658.6	65,870.4	65,119.2	66,873.0
<b>Total Non-Current Liabilities</b>	<b>110,822.3</b>	<b>108,792.6</b>	<b>123,001.4</b>	<b>124,750.2</b>	<b>128,004.0</b>
Shareholders' equity	58,825.8	50,798.5	63,640.5	65,334.4	66,980.9
Minority interest	2,256.9	2,184.5	2,437.7	2,563.6	2,705.5
<b>Total Equity</b>	<b>61,082.7</b>	<b>52,974.0</b>	<b>66,078.2</b>	<b>67,898.0</b>	<b>69,686.4</b>

# Debts do not include lease liabilities

### Cash Flow

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
<b>Pre-tax profit</b>	<b>3,373.6</b>	<b>6,176.6</b>	<b>6,134.9</b>	<b>6,295.3</b>	<b>7,095.3</b>
Depreciation & amortisation	11,265.7	11,985.6	12,726.9	13,574.1	13,834.9
Changes in working capital	18,164.1	1,403.5	-291.4	-267.8	-80.5
Others	-560.0	-3,995.4	3,449.4	3,568.5	3,445.1
<b>Operating cash flow</b>	<b>32,243.4</b>	<b>15,570.3</b>	<b>22,019.8</b>	<b>23,170.1</b>	<b>24,294.8</b>
Capex	-10,599.2	-16,245.6	-18,000.0	-18,000.0	-16,000.0
Others	4,814.5	3,053.2	0.0	0.0	0.0
<b>Investing cash flow</b>	<b>-5,784.7</b>	<b>-13,192.4</b>	<b>-18,000.0</b>	<b>-18,000.0</b>	<b>-16,000.0</b>
Dividends paid to shareholders	-2,537.5	-2,978.7	-2,557.7	-2,964.6	-3,604.0
Others	-10,774.3	-4,014.9	-2,008.2	-2,173.8	-4,238.0
<b>Financing cash flow</b>	<b>-13,311.8</b>	<b>-6,993.6</b>	<b>-4,565.9</b>	<b>-5,138.4</b>	<b>-7,842.0</b>
<b>Net cash flow</b>	<b>13,146.9</b>	<b>-4,615.7</b>	<b>-546.0</b>	<b>31.8</b>	<b>452.8</b>
Forex	22.2	-84.9	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	15,212.8	6,046.9	5,500.9	5,532.6
<b>Ending cash and cash equivalents</b>	<b>17,225.2</b>	<b>12,866.7</b>	<b>5,500.9</b>	<b>5,532.6</b>	<b>5,985.4</b>
Deposits with maturity > 90 days & others	2,165.3	2,345.5	4,388.3	4,388.3	4,388.3
<b>Deposits, bank and cash balances</b>	<b>19,390.5</b>	<b>10,521.2</b>	<b>9,889.2</b>	<b>9,920.9</b>	<b>10,373.7</b>

# Results Note

Monday, 02 Mar, 2026

## ESG Matrix Framework:

### Environment

Parameters	Rating	Comments
Climate	★★	Scope 1 and Scope 2 GHG emissions totaled 39.3m tCO <sub>2</sub> e in 2023, marking a 1.1% yoy increase from 2022. 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 2023, a 47% recycling rate for hazardous waste was achieved, surpassing the 30% target set for 2025.
Energy	★★	Generation mix in 2023 remained dominated by fossil fuels, with coal accounting for 41.7% and gas 32.4%. The Group plans to reduce its coal capacity by 50% by 2035 and fully phase it out by 2050. In 2023, TENAGA's renewable energy capacity reached 4.4GW, reflecting a 15.7% yoy increase, though still significantly below its target of 8.3GW by 2025.
Water	★★	In power generation operations, 80% of water consumption is used for steam generation and power plant cooling systems. Total water consumed amounted to 10,096 ML in 2023, reflecting a 4.1% 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 2023, 15% of non-executive staff and 41% of executive staff are female.
Human Rights	★★	TENAGA is poised to introduce the Group's comprehensive stance on labour rights.
Occupational Safety and Health	★★	In 2023, four work-related fatalities were reported. The Lost Time Incident Rate (LTIR) stood at 0.74, 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 2023, the Group invested over RM99m in community initiatives.
Management	★★★	In 2023, women made up 26% of the senior management team, falling short of the 30% female representation target set for 2025. Among the board members, 42% (5 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 **Monday, 02 Mar, 2026**, 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.