Utilities

Tariffs, Gas, and Data Centres Aligned for Growth

OVERWEIGHT

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2HCY25 is shaping up to be a busy period for the utilities sector, with a new base electricity tariff of 45.40 sen/kWh set to take effect in July. Gas utilities are expected to fully resume operations from July, following a temporary disruption caused by the Putra Heights fire incident. Meanwhile, YTLPOWR anticipates a 21% tariff hike for Wessex Water beginning in April, and 60MW of new data centre capacity slated for roll-out over the next three months; developments that bode well for the sector. Looking ahead, robust data centre expansion is expected to drive electricity demand, which in turn will increase the need for power generation and gas consumption. To support this growth, a new third regasification terminal is planned. Overall, we maintain our OVERWEIGHT rating on the utilities sector. Amid ongoing market uncertainties, the sector remains a solid investment choice, backed by its defensive earnings profile, regulated assets, and recurring cash flows. Dividend yields remain attractive, reaching up to 6%. TENAGA is our TOP PICK.

A busy 2HCY25 for the utilities sector. The 2H of 2025 is expected to be eventful for the utilities sector. The new RP4 base tariff of 45.40 sen/kWh will take effect from 1 July, while the difference from the unchanged electricity tariff in 1HCY25 will be funded through the KWIE fund. However, this has a neutral earnings impact for **TENAGA**, thanks to the Automatic Fuel Adjustment mechanism. Meanwhile, gas utilities **PETGAS** and **GASMSIA** are expected to fully resume operations from 1 July, following temporary disruptions caused by the Putra Heights fire accident**. YTLPOWR** is anticipating a 21% tariff hike for Wessex Water under its new regulatory period starting in April. Additionally, the group expects the launch of its 20MW Nvidia-powered AI data centre in July, with operations for the 40MW Phase 4 JDC4.1 co-location facility scheduled for delivery between August and September. As a result, we expect earnings normalisation for **PETGAS** and **GASMSIA** in 2HCY25. The new water tariff and the commencement of the data centre of 60MW in operation for **YTLPOWR** should also help cushion any earnings softness at PowerSeraya. While the new base tariff is earnings-neutral to **TENAGA**, a strong recovery in demand, following a seasonally weak 1QCY25, is expected to boost plant efficiency and profitability in 2HCY25.

Data centre boom to drive electricity demand. TENAGA has recorded robust electricity demand growth in Peninsular Malaysia, registering a 6.2% YoY increase in 2024. This was largely driven by the data centre-led commercial segment, which saw 9.2% YoY growth. Actual load utilisation for data centres reached 405MW by end-2024, up from c.100MW in March 2024, which further increased to 485MW in March 2025, across 21 projects totalling 2.8GW. An additional 17 projects (2.9GW) are under construction, and 5 projects (0.7GW) have signed Energy Supply Agreements (ESAs), bringing the total data centre pipeline to 43 projects with a combined maximum demand of 6.4GW. To meet this rising demand, Malaysia is expected to add 6GW–8GW of new generation capacity by 2030. In the recently announced revised base tariff under RP4, effective July 2025, the average tariff rate for the newly introduced ultra-high voltage category is approximately 60 sen/kWh, which we believe is targeted at data centres.

New capacity bids and brownfield opportunities. The Energy Commission has invited Requests for Proposals (RFPs) for: (i) new generation capacity, (ii) extension of gas-fired PPAs, and (iii) additional capacity from existing gas-fired power plants. We believe **TENAGA** and **MALAKOF** are strong contenders due to their existing brownfield assets, i.e. **TENAGA** of 310MW Gelugor, 375MW Connaught Bridge, 1,411MW Tuanku Ja'afar, and 275MW Pasir Gudang while **MALAKOF** has 350MW Prai, 1,222MW SEV, 440MW PD, and 640MW GB3. Separately, **YTLPOWR** is said to be partnering with land owners to jointly bid for new power plant project.

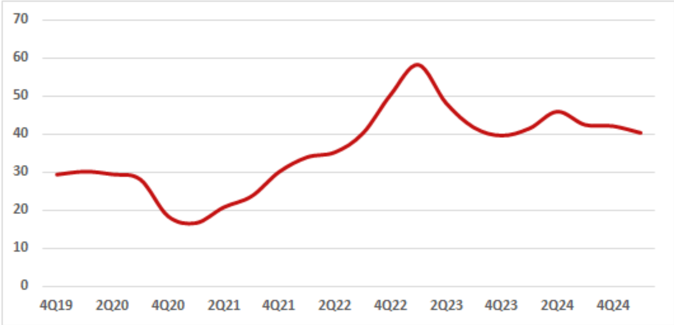
Electricity demand to boost gas consumption. Natural gas demand in Peninsular Malaysia is largely driven by the power sector. In FY24, **TENAGA** reported that gas accounted for 36.4% of its generation mix, slightly down from 36.6% in FY23. Gas-fired generation is expected to increase, supported by: (i) rising electricity demand from data centres, (ii) elimination of coal-fired power plants in the pipeline, and, (iii) new 6GW–8GW gas-fired capacity expected by 2030, potentially raising gas usage to at least 50% of the generation mix. In mid-June, Petronas confirmed plans for a third regasification terminal (RGT). Although details are scarce, **PETGAS** is the likely operator, given its ownership of the first two RGTs in Sungai Udang, Melaka and Pengerang, Johor. We believe Lumut is a strategic location for the third terminal due to: (i) several MALAKOF gas-fired plants nearby, and (ii) the 4,100MW TNB Janamanjung coal-fired plant, which first three 700MW units will retire by 2030 and the remaining 1,000MW unit by 2040. These are strong candidates for future gas-fired conversion, strengthening the case for a local RGT.

Maintain OVERWEIGHT on the sector, with **TENAGA** as our TOP PICK given its long-term exposure to data centre-driven demand growth. We continue to favour the utilities space for its earnings resilience, supported by regulated assets and recurring cash flows that anchor attractive dividend yields of up to 6%, especially from **GASMSIA.**

Indonesia Coal Benchmark Price (USD)

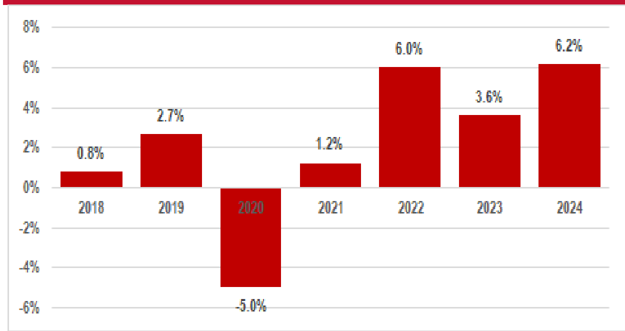
Source: Bloomberg

Natural Gas Price Movement



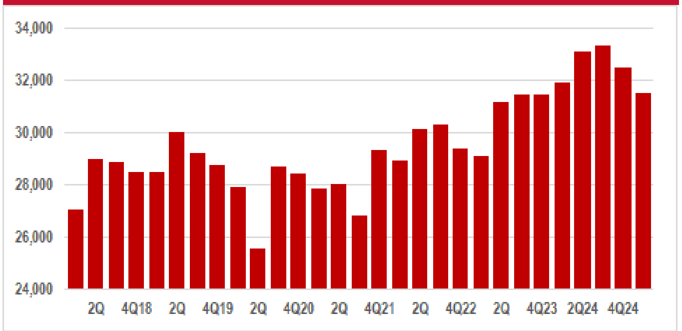
Source: GASMSIA

TENAGA: Annual Electricity Demand Growth



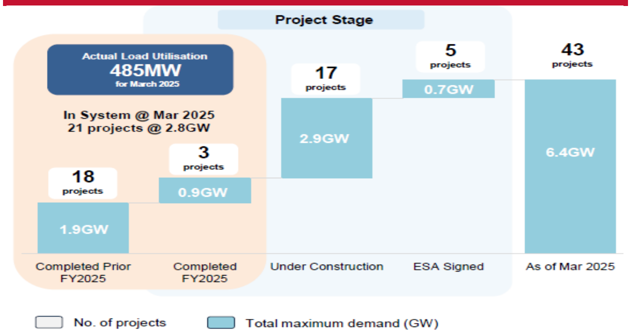
Source: Tenaga

TENAGA: Monthly Electricity Sales (GWh)



Source: Tenaga

Data Centre Updates



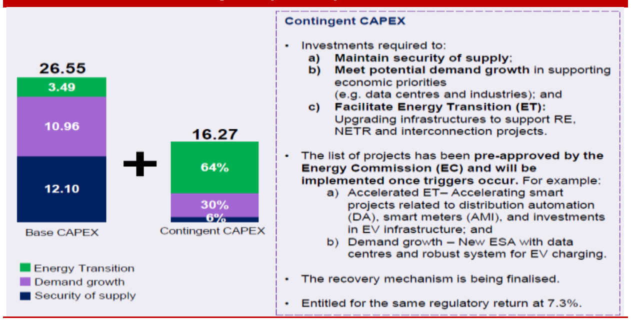
Source: Tenaga

Tariff Parameters

	Regulatory Period 3 (RP3)	Regulatory Period 4 (RP4)
Average Sales (TWh)	116.8	141.7
Coal price (USD/MT)	79	97
FOREX (RM/USD)	4.123	4.400
Gas price (RM/mmBTU)	T1: RM26 - RM30 (800mmscfd) T2: RM33	T1: RM24 - RM35 (800mmscfd) T2: RM46
OPEX (RM bil)	17.9	20.8
BASE CAPEX (RM bil)	20.6	26.6 *(with RM16.3 bil Contingent CAPEX)*
WACC	7.3%	7.3%

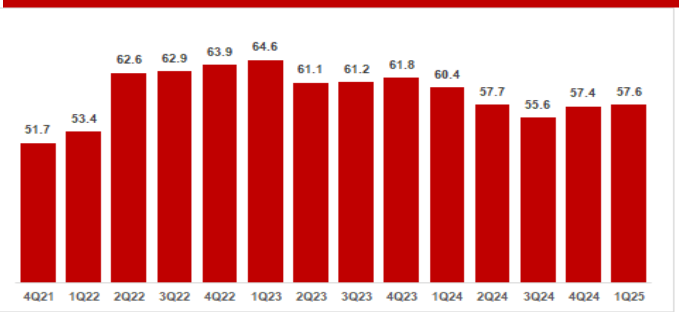
Source: Tenaga

RP4 Allowed Capex (RM b)



Source: Tenaga

TENAGA: Borrowings (RM b)



Source: Tenaga

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GAS MALAYSIA BHD	MP	4.34	3.93	-9.4%	5,572.6	Y	12/2025	31.1	32.1	-9.7%	3.5%	14.0	13.5	3.5	25.8%	24.9	5.7%
MALAKOFF CORP BHD	MP	0.825	0.770	-6.7%	4,031.7	Y	12/2025	4.5	4.3	-2.2%	-3.9%	18.5	19.2	0.9	4.9%	3.6	4.3%
PEKAT GROUP BHD	OP	1.39	1.75	25.9%	896.5	Y	12/2025	7.2	8.5	109.0%	17.5%	19.3	16.4	3.4	24.0%	0.0	0.0%
PETRONAS GAS BHD	MP	17.76	16.80	-5.4%	35,142.3	Y	12/2025	93.8	97.5	-0.1%	3.9%	18.9	18.2	2.4	13.1%	72.0	4.1%
SAMAIDEN GROUP BHD	OP	1.17	1.43	22.2%	524.4	Y	06/2025	4.9	5.9	12.7%	21.6%	23.9	19.7	4.7	21.0%	0.0	0.0%
SOLARVEST HOLDINGS BHD	OP	2.14	2.69	25.7%	1,621.0	Y	03/2026	9.2	10.9	35.8%	18.7%	23.3	19.6	4.2	20.2%	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.250	0.600	140.0%	250.2	Y	09/2025	1.9	2.4	3.3%	26.3%	13.2	10.4	3.2	27.9%	0.0	0.0%
TENAGA NASIONAL BHD	OP	14.60	17.20	17.8%	85,105.5	Y	12/2025	87.3	89.9	3.1%	3.0%	16.7	16.2	1.3	8.1%	43.2	3.0%
YTL POWER INTERNATIONAL BHD	OP	4.10	4.73	15.4%	34,648.2	N	06/2025	33.2	31.9	-19.0%	-3.8%	12.4	12.9	1.5	12.9%	7.0	1.7%
Sector Aggregate					**167,792.4**					**-4.5%**	**1.5%**	**16.2**	**16.0**	**2.8**	**17.6%**		**2.1%**

Source: Kenanga Research

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Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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