

09 January 2026

Utilities

Powering the Data Centre Boom

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OVERWEIGHT



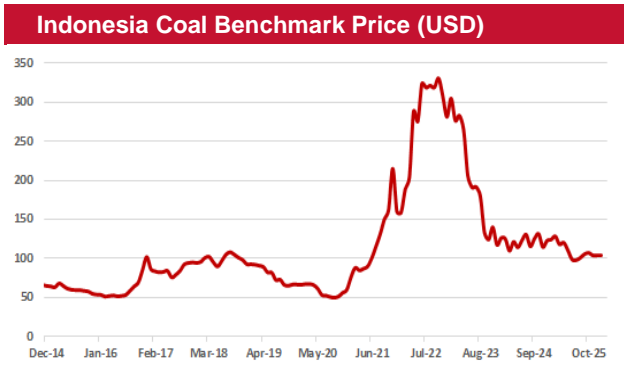
The utilities sector remains a key beneficiary of Malaysia's accelerating data centre roll-out, underpinned by resilient electricity demand growth and long-term recurring income streams. We maintain our FY26 demand growth forecast of 3.5%, supported by rising commercial load and rapid data centre capacity additions. **TENAGA** (OP; TP: RM16.80) remains our Top Pick, benefiting from demand growth, a transmission & distribution (T&D) capex up-cycle, PPA extensions, and upcoming capacity build-outs alongside IPPs such as **MALAKOF** (OP; TP: RM1.04), and **YTLPOWER** (OP; TP: RM4.40). With a tight timeline to deliver 6GW-8GW of new capacity by 2030, outcomes for the Energy Commission's new power generation RFPs are expected by end-2025 or early-2026. Rising electricity demand will further lift gas consumption, supporting prospects for additional regasification terminals, benefiting **PETGAS** (MP; TP: RM18.70) and **GASMSIA** (MP; TP: RM4.45). We continue to favour the sector for its earnings resilience, backed by regulated assets, stable cash flows, and attractive dividend yields of up to c.6%, particularly from **GASMSIA**. Maintain **OVERWEIGHT**.

Demand growth remains robust. We maintain our FY26 electricity demand growth forecast at 3.5%. Following a seasonal contraction in 1QFY25 (-1.0% QoQ), electricity sales in Peninsular Malaysia rebounded strongly in 2QFY25 (+7.0% QoQ) and remained firm in 3QFY25 (+2.6% QoQ), underpinned mainly by commercial demand linked to data centre expansion (+7.6% QoQ in 2QFY25 and +4.0% QoQ in 3QFY25). YTD, 9MFY25 electricity sales grew by 1.6%. Data centre load utilisation rose sharply to 710MW in Sep 2025 from 503MW in Jun 2025. As at Sep 2025, 29 data centre projects with total capacity of 3,800MW have been completed, including 11 projects (1,900MW) commissioned during 9MFY25. YTD, eight new Electricity Supply Agreements (ESAs) were signed, adding 1,100MW, bringing the total to 49 ESAs with cumulative capacity of 7,100MW. While demand growth is embedded within the IBR framework and capped by revenue mechanisms, stronger demand still enhances plant efficiency and drives higher transmission capex to meet data centre-related high-voltage requirements, both of which are earnings-positive for **TENAGA**.

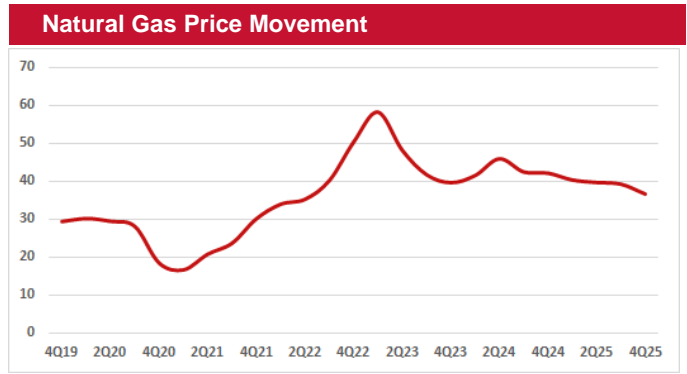
New capacity bids and brownfield opportunities. With a tight timeline to deliver 6GW-8GW of new generation capacity by 2030 to meet structurally rising demand from data centres, outcomes for greenfield power plant RFPs are expected by end-2025 or early-2026. Construction is likely to commence from end-2026, alongside ongoing extensions of existing and expiring PPAs. To date, **TENAGA** has secured PPA extensions totalling 1,262MW across three plants - Gelugor (310MW), Putrajaya (249MW), and Tuanku Jaafar Power Station Unit 1 (703MW). Beyond **TENAGA**, **MALAKOF** is a strong contender for further PPA extensions given its sizeable brownfield portfolio, including Prai (350MW), SEV (1,222MW), PD (440MW), and GB3 (640MW). Both **TENAGA** and **MALAKOF** also possess land banks suitable for greenfield developments, while **YTLPOWER** is reportedly partnering with a landowner for new capacity bids. In our view, the 6GW-8GW capacity pipeline provides sufficient scale to be meaningfully shared among the major contenders.

Gas demand to rise alongside electricity demand. With no new coal-fired plants planned, gas-fired generation remains the key swing capacity to support demand growth. Natural gas consumption in Peninsular Malaysia is already heavily driven by the power sector, with **TENAGA** reporting a 36.4% gas mix in FY24 (vs. 36.6% in FY23). We expect gas-fired generation to rise toward 50% by 2030, supported by (i) data centre-driven electricity demand, (ii) progressive coal plant retirements, and (iii) the addition of 6GW-8GW of new gas capacity. In mid-June, Petronas confirmed plans for a third regasification terminal (RGT), with **PETGAS** the likely operator given its ownership of the existing Sungai Udang (Melaka) and Pengerang (Johor) terminals. Lumut has been cited as the preferred location due to its proximity to **MALAKOF's** gas assets and TNB Janamanjung (4,100MW coal plant), where three 700MW units are set to retire by 2030 and the remaining 1,000MW by 2040 - making them prime candidates for gas conversion. We also understand **GASMSIA** is keen to participate in future RGT developments to support longer-term earnings growth. No new RGT assumptions have been incorporated into our forecasts at this stage.

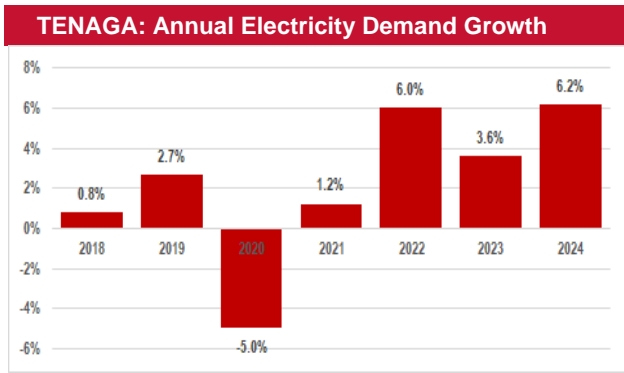
Maintain OVERWEIGHT on the utilities sector. We continue to rate the utilities sector **OVERWEIGHT**. **TENAGA** remains our TOP PICK, as the long-term primary beneficiary of the data centre boom, given its exposure to demand growth, the T&D capex up-cycle, and new capacity build-outs. Meanwhile, the IRB tax dispute has been fully resolved, with **TENAGA** securing MoF approval for Investment Allowance on qualifying capex, to be offset against future taxable income. Independent power producers such as **MALAKOF** and **YTLPOWER** also stand to benefit from both brownfield extensions and greenfield opportunities. Meanwhile, rising gas demand underpins positive earnings prospects for **PETGAS** and **GASMSIA**. Overall, the sector offers earnings resilience underpinned by regulated assets and stable cash flows, supporting attractive yields of up to c.6%, particularly from **GASMSIA**.



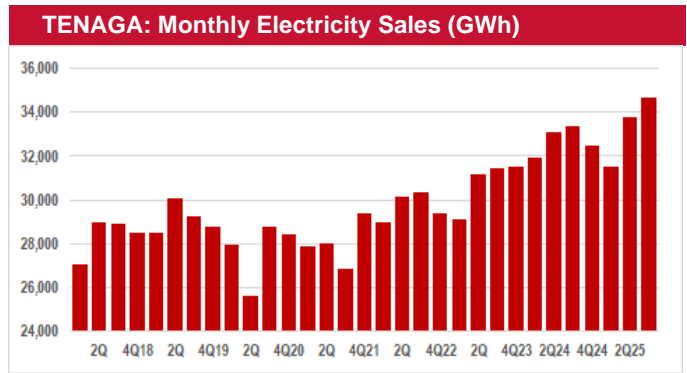
Source: Bloomberg



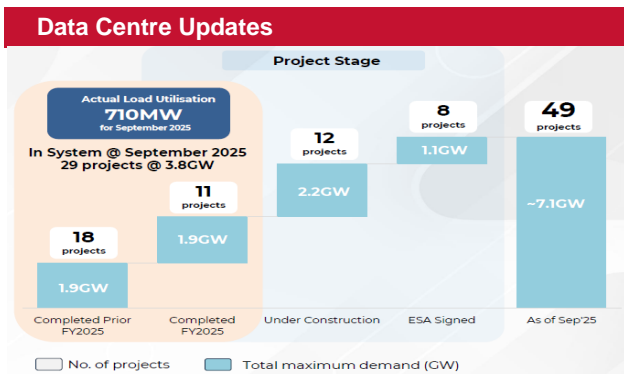
Source: GASMSIA



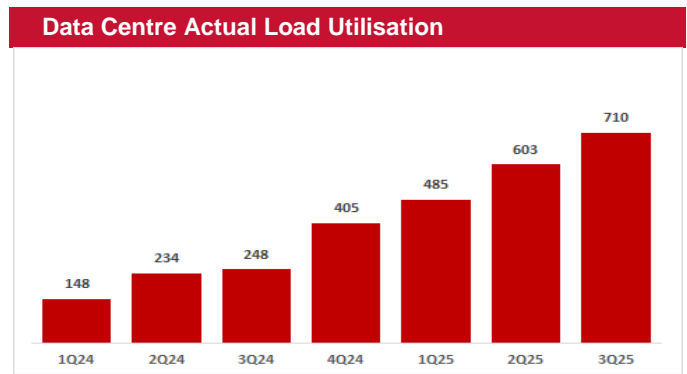
Source: Tenaga



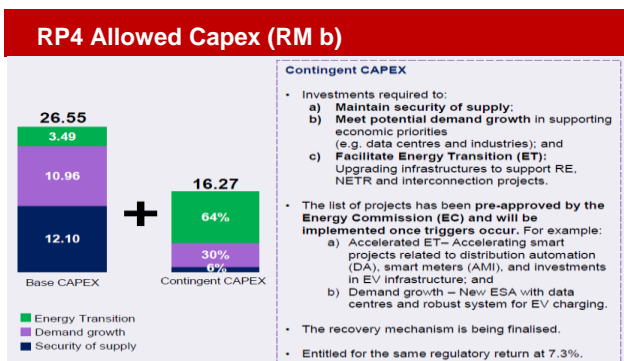
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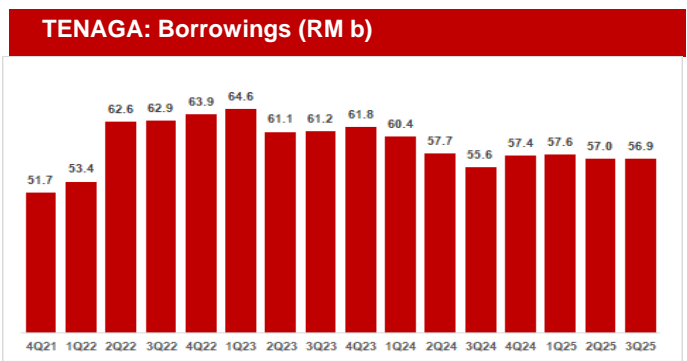
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Peer Table Comparison

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	4.35	4.45	2.3%	5,585.4	Y	12/2025	31.1	32.1	-9.7%	3.5%	14.0	13.5	3.5	25.8%	24.9	5.7%
KJTS GROUP BHD	OP	1.39	2.12	52.5%	958.4	Y	12/2025	2.3	4.0	20.8%	71.1%	59.2	34.6	10.1	16.4%	0.5	0.4%
MALAKOFF CORP BHD	OP	0.835	1.04	24.6%	4,080.6	Y	12/2025	2.8	4.3	-37.8%	51.1%	29.4	19.5	0.9	3.1%	2.3	2.8%
PEKAT GROUP BHD	OP	1.68	1.68	0.0%	1,186.5	Y	12/2025	7.2	8.5	109.0%	17.5%	23.4	19.9	4.1	24.0%	0.0	0.0%
PETRONAS GAS BHD	MP	18.20	18.70	2.7%	36,012.9	Y	12/2025	93.8	97.5	-0.1%	3.9%	19.4	18.7	2.5	13.1%	72.0	4.0%
SAMAIDEN GROUP BHD	OP	1.41	2.08	47.5%	705.2	Y	06/2026	6.9	8.4	24.0%	21.6%	20.3	16.7	5.6	29.8%	0.0	0.0%
SOLARVEST HOLDINGS BHD	OP	3.13	3.45	10.2%	2,952.3	Y	03/2026	10.3	14.3	51.9%	39.2%	30.4	21.8	6.1	22.7%	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.195	0.470	141.0%	195.2	Y	09/2026	1.3	2.0	-29.3%	53.8%	15.0	9.8	2.5	19.1%	0.0	0.0%
TENAGA NASIONAL BHD	OP	13.56	16.80	23.9%	79,043.2	Y	12/2025	78.8	85.9	-4.1%	9.0%	17.2	15.8	1.2	7.4%	39.0	2.9%
YTL POWER INTERNATIONAL BHD	OP	3.34	4.40	31.7%	28,820.9	N	06/2026	30.3	31.6	-14.2%	4.3%	11.0	10.6	1.1	10.8%	8.0	2.4%
SECTOR AGGREGATE					159,540.6					-6.6%	7.7%	16.6	15.5	3.8	17.2%		1.8%

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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