

07 April 2026

Utilities

OVERWEIGHT

Powering the 6GW-8GW of Growth Through 2030



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The utilities sector remains a prime beneficiary of the country's accelerating data centre rollout, underpinned by resilient electricity demand growth and long-term recurring income streams. **TENAGA** (OP; TP: RM17.00) expects demand to expand by 4.0%-4.5% in FY26 tracking GDP and exceeding our 3.5% assumption. This is supported by rising commercial load on rapid data centre capacity additions. **TENAGA** remains our Top Pick, benefiting from demand growth, a transmission and distribution (T&D) capex upcycle, PPA extensions, and upcoming capacity build-outs, alongside IPPs such as **MALAKOF** (OP; TP: RM1.04), and **YTLPOWR** (OP; TP: RM4.40). To meet 6GW-8GW of new capacity target by 2030, the **NEWGEN25** program was announced in February with the tender submission dateline for **NEWGEN26** set for July 2026. Furthermore, 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 also like **SCGBHD** (OP; TP: RM2.71) as a key proxy to Malaysia's accelerating grid upgrade cycle. With c.3GWac of ESAs in the pipeline, demand for power cables, a key component of power infrastructure, is expected to remain firm over the medium term. The sector continues to offer earnings resilience, backed by regulated assets, stable cash flows, and decent dividend yields of up to >4%, particularly from **GASMSIA**. Maintain **OVERWEIGHT**.

Demand growth remains robust in 2026, with **TENAGA** expecting demand to expand by 4.0%-4.5% in FY26, tracking GDP and exceeding our current 3.5% assumption. This momentum is primarily fuelled by the accelerating data centre segment, which saw load utilisation double to 850MW in Dec 2025 from 405MW a year prior. While demand growth moderated to 2.3% YoY in FY25 following a high base of 6.2% in FY24, the commercial sector remained a key driver with 10.0% growth led by data centres and retail services. This offset softer demand from the industrial sector, which declined 5.8% due to weakness among iron and steel players. The scaling of the data centre industry is underpinned by a robust completion rate, where 35 projects totalling 4,500MW were completed as of late 2025, including 17 projects commissioned in 2025 alone. With 1,800MW currently under construction and 49 Electricity Supply Agreements (ESA) signed for a cumulative capacity of 7,500MW, the surge remains earnings-positive for **TENAGA**. Stronger demand enhances plant efficiency and necessitates higher transmission capital expenditure for specialized high-voltage requirements, an impact already evident in **TENAGA's** GenCo operations, which saw core PAT jump to RM315.6m in FY25 from RM10.6m in FY24.

NEWGEN25 done; next is NEWGEN26. Following the completion of the **NEWGEN25** cycle, the focus shifts to **NEWGEN26** to meet a target of 6,000MW to 8,000MW of new capacity by 2030. In Feb 2026, the Energy Commission announced the **NEWGEN25** winners, including a new 1,400MW combined cycle power plant in Paka awarded to a **TENAGA**-led consortium and Power Purchase Agreement (PPA) extensions for nine IPPs totalling 4,869MW. These extensions involved three **TENAGA** plants (SJ Gelugor, SJ Putrajaya, and SJ Tuanku Ja'afar), three **MALAKOF** assets (Prai Power, GB3, and SEV), two Edra plants (Panglima Power and Kuala Langat Power), and one Petronas unit (Pengerang Power). A new tender for gas-based capacity for 2029-2031, known as **NEWGEN26**, was released in late Feb with a Jul 2026 tender submission dateline. **TENAGA** and **MALAKOF** remain strong contenders due to their existing land banks, while **YTLPOWR** is reportedly partnering with a landowner for new bids. **MALAKOF** has already secured four units of gas turbines and generators capable of supporting two new 1,400MW plants, and we believe the 6GW to 8GW pipeline provides sufficient scale for all major players to participate meaningfully.

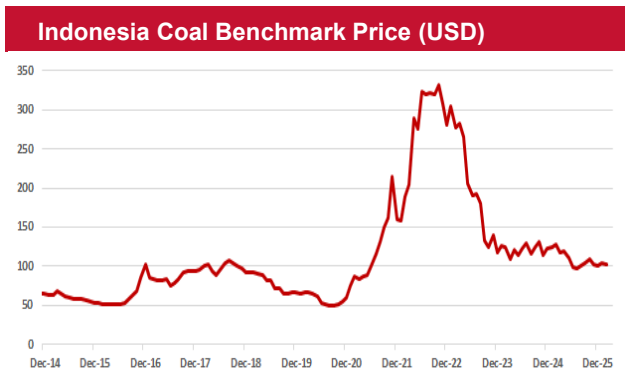
Gas demand to rise alongside electricity demand. As coal-fired plants are phased out, gas-fired generation is set to become the key swing capacity, with its mix expected to rise toward 50% by 2030 from **TENAGA's** 33.6% in FY25. This transition is supported by data centre demand, coal retirements, and the massive influx of new gas capacity. In mid-June, Petronas confirmed plans for a third regasification terminal (RGT), likely to be operated by **PETGAS**, given its ownership of the existing Sungai Udang (Melaka) and Pengerang (Johor) terminals, at a preferred location in Lumut due to its proximity to **MALAKOF's** gas assets and **TENAGA's** Janamanjung plant, where 2,100MW of coal capacity will retire by 2030. Simultaneously, **GASMSIA** has received approval for a RM2b-RM3b RGT in Yan, Kedah, with a capacity of up to 6 MTPA to bolster northern region energy security. The rationale for **GASMSIA's** RGT in Yan is further bolstered by **MALAKOF's** procurement of four gas turbines, two of which are specifically earmarked for a new power plant in the northern region to support the structural shift toward natural gas.

Rising gas/coal prices remain neutral for the players. The recent spike in fuel costs due to the Middle East crisis is expected to be neutral for most players given the established fuel cost pass-through mechanisms for **TENAGA** and **MALAKOF**. A rising coal price may actually favour these generators as the moving average price used for reporting typically stays higher than the actual application coal cost during such periods. This timing difference results in a net gain, or a positive

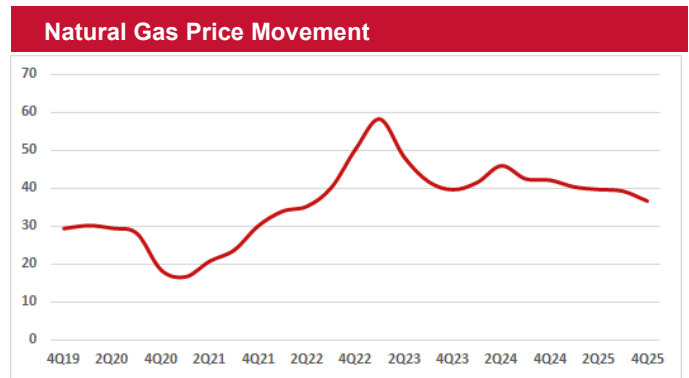
fuel margin, for the GenCo segment. At this juncture, given that the magnitude of price movement remains small compared to the volatility seen in 2022–2023, we do not anticipate any immediate material earnings impact. While **YTLPOWER's** Singapore unit, PowerSeraya, faces high gas cost risks following the expiry of 40% of its favourable supply contracts in late 2025, this is partially mitigated by higher selling prices as the Uniform Singapore Energy Price (USEP) rose due to the geopolitical crisis. For **GASMSIA**, the impact of rising gas prices is immaterial because its "cost-plus" formula ensures a stable profit spread based on the Malaysia Reference Price (MRP), rather than direct exposure to price volatility. In addition, a higher MRP (which lags Brent by 3-6 months) impacts non-regulated retail margins, which are calculated as a fixed percentage (1%-2%) over the selling price. Based on our FY26 estimates, a 10% jump in MRP would only add RM6m (1.5%) to our FY26 net profit forecast of RM406.8m.

ESAs keep power cable demand strong. We expect demand for power cables to remain firm, supported by ongoing ESAs under **TENAGA's** Green Lane Pathway, which accelerates data centre grid connections to c.12 months (vs. the typical 36-48 months). This is reflected in **TENAGA's** procurement activity, where **SCGBHD's** 1+1 contract variation orders (VOs) were called within the first year, compared to past cycles where VOs typically materialized in the second year. Recent increases in polymer prices have raised concerns over potential margin compression for **SCGBHD's** long-term fixed-price contracts. Based on our analysis, every RMB500/MT increase in plastic prices could reduce **SCGBHD's** earnings by c.RM4m or a 2% impact on our baseline FY26F earnings. However, the near-term impact remains manageable, as management has secured sufficient polymer inventory to support production through 1HCY26. In addition, the in-house plastic compounding plant, expected to commence in 2QCY26, is projected to contribute c.1ppt to gross profit margins, which should help mitigate cost pressures. Current polymer prices stand at around RMB9,000/MT, leaving c.5% headroom before impacting our base case.

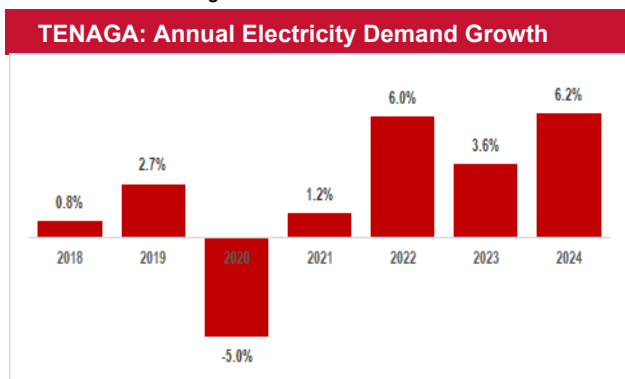
Maintain OVERWEIGHT on the utilities sector. We continue to rate the utilities sector OVERWEIGHT. **TENAGA** remains our top pick, as the long-term primary beneficiary of the data centre boom, given its exposure to demand growth, the T&D capex up-cycle, and new capacity build-outs. Independent power 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**. We also like **SCGBHD** as a key proxy to Malaysia's accelerating grid upgrade cycle. With c.3GWac of ESAs in the pipeline, demand for power cables, a key component of power infrastructure, is expected to remain firm over the medium term.



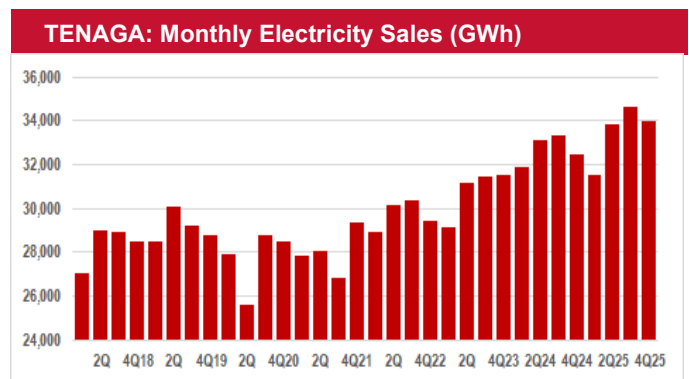
Source: Bloomberg



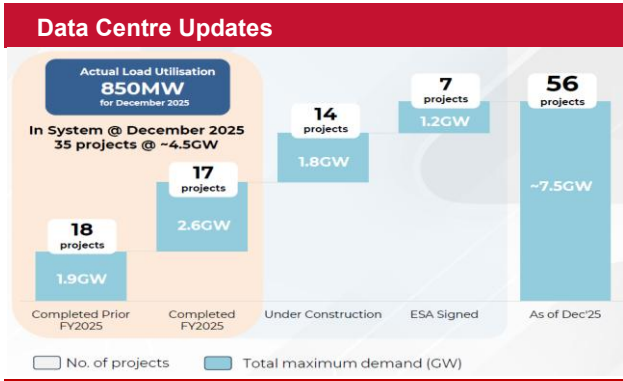
Source: GASMSIA



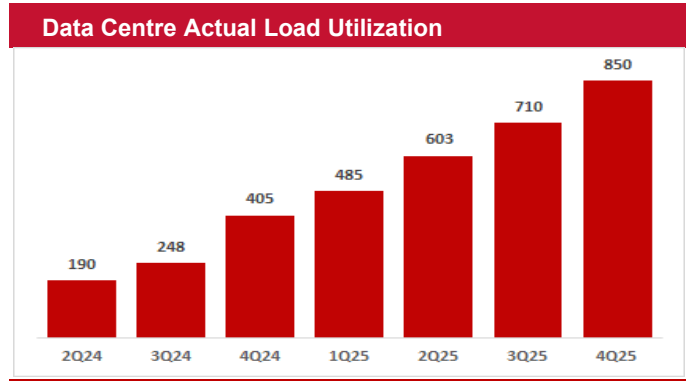
Source: Tenaga



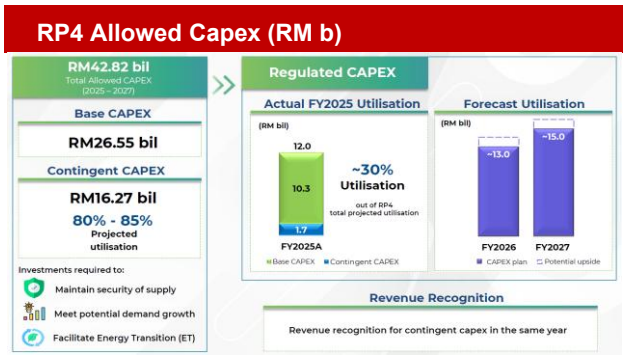
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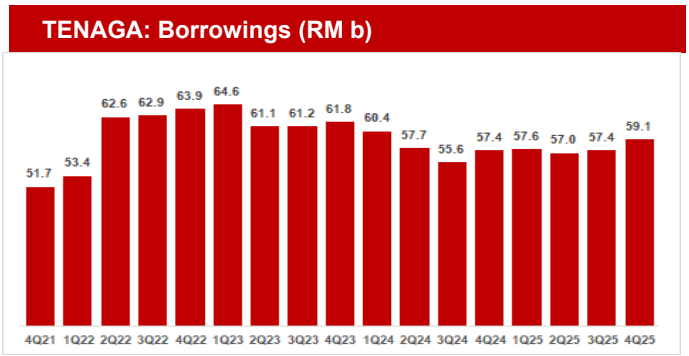
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Peer Table Comparison

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	5.60	5.23	-6.6%	7,190.4	Y	12/2026	31.7	32.1	5.6%	1.3%	17.7	17.5	4.4	25.4%	25.3	4.5%
KJTS GROUP BHD	OP	0.760	1.37	80.3%	524.9	Y	12/2026	3.2	4.0	24.2%	23.9%	23.6	19.0	2.3	12.1%	0.6	0.8%
MALAKOFF CORP BHD	OP	0.835	1.00	19.8%	4,080.6	Y	12/2026	3.6	4.8	58.2%	32.9%	23.3	17.5	0.9	3.9%	2.9	3.4%
PEKAT GROUP BHD	OP	1.33	1.72	29.3%	939.8	Y	12/2026	8.5	9.2	22.4%	7.3%	15.6	14.5	2.4	18.6%	0.0	0.0%
PETRONAS GAS BHD	MP	18.22	18.80	3.2%	36,052.5	Y	12/2026	95.9	97.2	12.1%	1.4%	19.0	18.8	2.5	13.1%	72.0	4.0%
SAMAIDEN GROUP BHD	OP	1.05	1.94	84.8%	528.8	Y	06/2026	6.3	7.5	21.3%	18.8%	16.6	14.0	2.6	17.4%	1.1	1.0%
SOLARVEST HOLDINGS BHD	OP	2.33	3.45	48.1%	2,218.8	Y	03/2026	10.3	14.3	51.9%	39.2%	22.6	16.2	4.6	22.7%	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.165	0.470	184.8%	165.1	Y	09/2026	1.3	2.0	-29.3%	53.8%	12.7	8.3	2.1	19.1%	0.0	0.0%
TENAGA NASIONAL BHD	OP	14.00	17.00	21.4%	81,608.0	Y	12/2026	85.6	88.1	2.9%	2.8%	16.3	15.9	1.3	7.8%	50.8	3.6%
YTL POWER INTERNATIONAL BHD	OP	3.57	3.80	6.4%	30,845.4	N	06/2026	25.8	25.1	-27.1%	-2.6%	13.8	14.2	1.2	9.2%	8.0	2.2%
SECTOR AGGREGATE					164,154.3					-3.1%	2.3%	16.9	16.5	2.4	14.9%		2.0%

Source: Kenanga Research

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																	
ANCOM NYLEX BHD	OP	0.920	1.20	30.4%	963.4	Y	05/2026	8.8	9.6	49.8%	11.5%	10.4	9.6	1.4	13.9%	5.0	5.4%
BM GREENTECH BHD	UP	1.18	1.72	45.8%	811.6	Y	03/2026	11.3	12.2	11.5%	7.5%	10.4	9.7	2.3	22.5%	1.8	1.5%
BP PLASTICS HOLDINGS BHD	MP	0.715	0.670	-6.3%	201.3	Y	12/2026	8.4	8.8	85.2%	4.6%	8.5	8.1	0.7	8.5%	4.3	6.0%
HPP HOLDINGS BHD	MP	0.280	0.300	7.1%	108.8	Y	05/2026	2.0	2.3	146.9%	12.7%	13.8	12.2	0.9	6.3%	2.0	7.1%
KUMPULAN PERANGSANG SELANGOR	UP	0.555	0.480	-13.5%	298.2	Y	12/2026	4.4	4.8	143.9%	8.4%	12.5	11.5	0.3	2.2%	2.0	3.6%
SCIENTEX BHD	OP	3.47	3.84	10.7%	5,400.3	Y	07/2026	37.9	39.0	12.1%	3.1%	9.2	8.9	1.1	12.9%	12.5	3.6%
SLP RESOURCES BHD	MP	0.765	0.850	11.1%	242.5	Y	12/2026	4.9	5.5	52.0%	12.9%	15.6	13.9	1.4	8.9%	4.8	6.3%
TECHBOND GROUP BHD	OP	0.285	0.470	64.9%	216.2	Y	06/2026	4.1	4.5	37.5%	9.1%	6.9	6.3	0.8	12.0%	1.0	3.5%
THONG GUAN INDUSTRIES BHD	OP	1.39	1.41	1.4%	544.0	Y	12/2026	19.3	19.5	7.9%	0.9%	7.2	7.1	0.6	8.1%	6.0	4.3%
SOUTHERN CABLE GROUP BHD	OP	1.88	2.71	44.1%	2,125.6	Y	12/2026	12.4	15.0	15.3%	21.7%	15.2	12.5	3.8	30.6%	3.5	1.9%
SECTOR AGGREGATE					8,786.4					30.3%	4.6%	9.6	9.2	1.0	10.6%		4.6%

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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