

26 May 2026

Tenaga Nasional

1QFY26 On Track

By Teh Kian Yeong | tehky@kenanga.com.my

TENAGA delivered a satisfactory 1QFY26 results, with core profit of RM1.25b coming within our expectation. Despite a sequentially weaker quarter due to seasonality, 1QFY26 earnings rose 6% YoY, backed by solid electricity demand growth (+7%) led by the data centre-driven commercial segment. Moving forward, data centre will remain the primary engine for demand growth, alongside enhanced operational efficiency at Genco which should continue to bolster non-regulated earnings. We maintain our **OUTPERFORM** rating and TP of RM17.00.

1QFY26 results in line. TENAGA's 1QFY26 core profit of RM1.25b came within expectations, accounting for 26% each of our and consensus full-year estimates. As expected, no dividend was declared, consistent with its historical practice of paying half-yearly dividends.

QoQ. 1QFY26 core profit declined 18% QoQ to RM1.25b. This was primarily due to a 3% drop in revenue, driven by a 0.8% dip in total electricity sales volume. The contraction was led by the commercial sector (-5.5%), though partially mitigated by improved industrial volume (+4.5%). On the cost side, opex contracted 9%, driven by a 22% decline in non-fuel operating expenses (excluding depreciation).

YoY. 1QFY26 core profit rose 6% from RM1.18b in 1QFY25, supported by a 7% hike in revenue. Electricity sales jumped 20% as unit sales grew 7%, primarily driven by a 13.0% surge in the commercial sector fuelled by data center demand growth. This was partly offset by a 2.1% decline in industrial demand from metal manufacturing and cement products. Meanwhile, fuel costs, which are passed through under the IBR framework, slid slightly by 2% as average coal prices dropped 15%.

Outlook. TENAGA has found a new avenue of growth fuelled by electricity demand from data centre investment of >5,000MW by 2035, equivalent to 20% of total generating capacity in Malaysia. In the near term, a total of 700MW data centre is slated to come on stream by this year. This should continue to drive demand growth higher, in turn improving operation efficiency and boosting its non-regulated earnings.

Forecasts. We maintain our FY26-FY27 earnings forecasts which are based on 3.5% annual electricity sales growth assumption.

Valuations. We keep our DCF-derived TP RM17.00 unchanged, based on WACC of 6.7% and TG of 2.0%. There is no adjustment to our TP based on our ESG 3-star rating (see Page 5).

Investment case. We continue to like TENAGA for: (i) its dominance in power generation, transmission and distribution in Malaysia, (ii) its defensive earnings backed by a resilient domestic economy and assets that are largely regulated, (iii) its new avenue of sustainable earnings growth fuelled by electricity demand from data centres and transmission & distribution (T&D) investment to cater for developing data centres, and (iv) its heavyweight index-linked stock status. Maintain **OUTPERFORM** as TENAGA is a long-term beneficiary of the influx of FDI to build data centres in the country.

Risks to our recommendation include: (i) ballooning under-recovery of fuel costs, straining its cash flow, (ii) a global recession hurting demand for electricity, and (iii) non-compliance of ESG standards set by various stakeholders.

OUTPERFORM ↔

Price: RM14.46
Target Price: RM17.00 ↔

Share Price Performance



KLCI	1,708.50
YTD KLCI chg	1.7%
YTD stock price chg	5.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	TNB MK
Market Cap (RM m)	84,289.4
Shares Outstanding	5,829.1
52-week range (H)	14.90
52-week range (L)	12.50
3-mth avg. daily vol.	7,022,703
Free Float	68%
Beta	0.9

Major Shareholders

Employees Provident Fund	24.6%
Khazanah Nasional Bhd	17.7%
Amanah Saham Nasional	11.2%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	67,723	66,922	68,404
EBIT	8,532	9,765	9,772
PBT	6,177	6,498	6,682
Net Profit (NP)	4,768	4,904	5,043
Core Net Profit	4,767	4,904	5,043
Consensus (NP)	-	4,865	5,080
Earnings Rev. (%)	-	-	-
Core EPS (sen)	77.7	84.7	87.1
EPS Growth (%)	1.3	2.9	2.8
NDPS (sen)	46.6	50.8	52.3
BV/Share (RM)	10.72	11.06	11.41
NTA/Share (RM)	10.57	10.91	11.25
Core PER (x)	18.6	17.1	16.6
PBV (x)	1.35	1.31	1.27
Price/NTA (x)	1.37	1.33	1.29
Net Gearing (x)	0.59	0.53	0.48
Dividend Yield (%)	3.2	3.5	3.6

26 May 2026

Income Statement

	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Y-o-Y
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Turnover	17,103.7	17,599.7	-3%	16,038.7	7%	17,103.7	16,038.7	7%
EBITDA	5,521.8	5,429.5	2%	5,187.0	6%	5,521.8	5,187.0	6%
Depreciation	-3,069.7	-3,147.5	-2%	-2,865.3	7%	-3,069.7	-2,865.3	7%
EBIT	2,452.1	2,282.0	7%	2,321.7	6%	2,452.1	2,321.7	6%
Interest income	31.4	134.0	-77%	170.4	-82%	31.4	170.4	-82%
Interest expense	-980.6	-1,002.6	-2%	-969.9	1%	-980.6	-969.9	1%
Forex translation gain	21.6	301.3	-93%	32.2	-33%	21.6	32.2	-33%
Forex transaction gain	9.5	16.7	-43%	6.7	42%	9.5	6.7	42%
Associates	27.2	40.4	-33%	19.6	39%	27.2	19.6	39%
Exceptional items	3.8	44.2	-91%	-26.5	N/A	3.8	-26.5	N/A
Pretax profit	1,565.0	1,816.0	-14%	1,554.2	1%	1,565.0	1,554.2	1%
Taxation	-478.1	-163.9	192%	-513.4	-7%	-478.1	-513.4	-7%
Minority interest	10.7	23.0	-53%	17.2	-38%	10.7	17.2	-38%
Net profit	1,097.6	1,675.1	-34%	1,058.0	4%	1,097.6	1,058.0	4%
Core net profit	1,253.2	1,533.0	-18%	1,184.3	6%	1,253.2	1,184.3	6%
EPS (sen)	19.4	29.7	-34%	18.7	4%	19.4	18.7	4%
Core EPS (sen)	22.2	27.2	-18%	21.0	6%	22.2	21.0	6%
NDPS (sen)	0.0	28.0	-100%	0.0	N/A	0.0	0.0	N/A
NTA/share (RM)	8.57	8.65	-1%	10.18	-16%	8.57	10.18	-16%
EBITDA margin	32.3%	30.8%		32.3%		32.3%	32.3%	
EBIT margin	14.3%	13.0%		14.5%		14.3%	14.5%	
Pretax margin	9.2%	10.3%		9.7%		9.2%	9.7%	
Effective tax rate	31.1%	11.1%		33.2%		31.1%	33.2%	

Source: Company

Generation Mix (Peninsula)

	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Y-o-Y
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Fuel Costs								
Gas	3,152.9	2,952.8	7%	2,851.1	11%	3,152.9	2,851.1	11%
Coal	3,419.8	3,819.2	-10%	4,047.9	-16%	3,419.8	4,047.9	-16%
Dist	192.6	328.6	-41%	37.7	411%	192.6	37.7	411%
Oil	85.6	124.3	-31%	23.7	261%	85.6	23.7	261%
	6,850.9	7,224.9	-5%	6,960.4	-2%	6,850.9	6,960.4	-2%
Unit Generated (Gwh)								
Gas & LNG	13,785.8	12,625.7	9%	11,712.4	18%	13,785.8	11,712.4	18%
Coal	18,994.9	20,783.0	-9%	19,719.7	-4%	18,994.9	19,719.7	-4%
Dist	253.3	436.8	-42%	8.4	2915%	253.3	8.4	2915%
Oil	0.0	0.0	N/A	0.0	N/A	0.0	0.0	N/A
Hydro	1,002.3	1,824.2	-45%	1,763.8	-43%	1,002.3	1,763.8	-43%
Solar	911.2	763.2	19%	818.5	11%	911.2	818.5	11%
	34,947.5	36,432.9	-4%	34,022.8	3%	34,947.5	34,022.8	3%

Source: Company

Breakdown of Electricity Sales & ICPT

	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Y-o-Y
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Peninsular Malaysia	15,138.2	15,260.2	-1%	12,569.3	20%	15,138.2	12,569.3	20%
Sales Discount	0.0	0.0	N/A	0.0	N/A	0.0	0.0	N/A
Accrued Revenue	288.5	180.6	60%	68.3	322%	288.5	68.3	322%
Energy Export	8.7	37.3	-77%	57.0	-85%	8.7	57.0	-85%
SESB	610.2	582.7	5%	555.7	10%	610.2	555.7	10%
TNBI	179.6	182.3	-1%	184.7	-3%	179.6	184.7	-3%
	16,225.2	16,243.1	0%	13,435.0	21%	16,225.2	13,435.0	21%
ICPT/AFA	-861.7	-920.2	-6%	-175.2	392%	-861.7	-175.2	392%

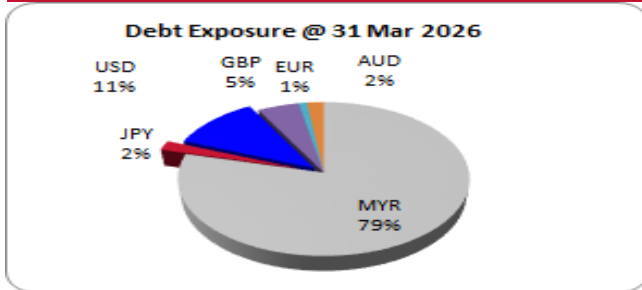
Source: Company

Breakdown of Operating Expenses

	1Q FY26	4Q FY25	Q-o-Q Chg	1Q FY25	Y-o-Y Chg	3M FY26	3M FY25	Y-o-Y Chg
FYE Dec (RM m)								
Total IPP Costs	3,526.7	3,623.4	-3%	4,459.9	-21%	3,526.7	4,459.9	-21%
TNB Fuel Costs	4,227.4	4,568.5	-7%	3,553.7	19%	4,227.4	3,553.7	19%
Total Opex – Non-Fuel	3,096.8	3,954.9	-22%	2,825.6	10%	12,960.7	2,825.6	359%
Depreciation	3,069.7	3,147.5	-2%	2,865.3	7%	3,069.7	2,865.3	7%
Total Operating Expenses	13,920.6	15,294.3	-9%	13,704.5	2%	23,784.5	13,704.5	74%
Ave. Coal Price (USD/MT)	100.3	99.1	1%	104.7	-4%	100.3	104.7	-4%
Ave. Coal Price (RM/MT)	397.5	415.2	-4%	465.9	-15%	397.5	465.9	-15%
Gas Ref Mkt Price(RM/mmbtu)								
- Tier 1	30.1	32.3	-7%	35.0	-14%	30.1	35.0	-14%
- Tier 2	44.9	41.6	8%	52.9	-15%	44.9	52.9	-15%
Ave. Gas/LNG Vol (mmscfd)	1,009.0	885.0	14%	836.0	21%	1,009.0	836.0	21%

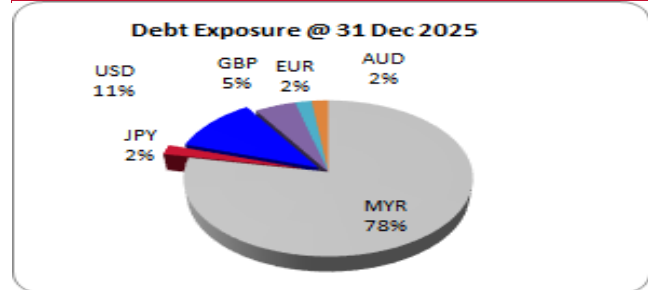
Source: Company

Debt Exposure & Forex



Source: Company

Debt Exposure & Forex



Source: Company

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																	
CHEEDING HOLDINGS BHD	OP	0.665	0.700	5.3%	530.2	Y	03/2026	4.3	5.3	30.8%	23.5%	15.6	12.6	5.9	48.6%	1.1	1.6%
GAS MALAYSIA BHD	MP	5.40	5.23	-3.1%	6,933.6	Y	12/2026	31.7	32.1	5.6%	1.3%	17.0	16.8	4.2	25.4%	25.3	4.7%
KAWAN RENERGY BHD	OP	0.545	0.730	33.9%	299.8	Y	10/2026	4.8	6.1	11.9%	27.8%	11.4	8.9	2.1	20.7%	1.4	2.6%
KJTS GROUP BHD	OP	0.770	1.34	74.0%	531.8	Y	12/2026	3.0	3.7	17.0%	21.6%	25.3	20.8	2.3	11.8%	0.6	0.8%
MALAKOFF CORP BHD	OP	0.915	1.00	9.3%	4,471.6	Y	12/2026	3.6	4.8	58.2%	32.9%	25.5	19.2	1.0	3.9%	2.9	3.1%
PEKAT GROUP BHD	OP	1.56	1.91	22.4%	1,104.9	Y	12/2026	8.7	10.0	24.4%	14.4%	17.9	15.7	2.7	18.6%	0.0	0.0%
PETRONAS GAS BHD	MP	17.14	18.80	9.7%	33,915.5	Y	12/2026	95.9	97.2	12.1%	1.4%	17.9	17.6	2.3	13.1%	72.0	4.2%
SAMAIDEN GROUP BHD	OP	1.25	1.94	55.2%	657.6	Y	06/2026	6.3	7.5	21.3%	18.8%	19.8	16.6	3.1	17.4%	1.1	0.9%
SOLARVEST HOLDINGS BHD	OP	2.85	3.36	17.9%	2,718.2	Y	03/2027	13.8	15.4	29.1%	11.6%	20.6	18.5	2.8	14.8%	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	14.46	17.00	17.6%	84,289.4	Y	12/2026	85.6	88.1	2.9%	2.8%	16.9	16.4	1.3	7.8%	50.8	3.5%
YTL POWER INTERNATIONAL BHD	OP	4.17	4.30	3.1%	36,048.5	N	06/2026	24.5	22.6	-27.1%	-7.5%	17.0	18.4	1.6	9.6%	8.0	1.9%
SECTOR AGGREGATE					171,666.1					-3.0%	1.3%	17.5	17.3	2.6	17.6%		1.9%

Source: Kenanga Research

This section is intentionally left blank

26 May 2026

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★	★	
	Corporate Governance	★	★	★	★	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★			
SPECIFIC	Transition to Renewables	★	★	☆		
	Reliable Energy & Fair Tariff	★	★	★		
	Effluent/Waste Management	★	★	★		
	Ethical Practices	★	★	★		
	Supply Chain Management	★	★	★		
	Customer Satisfaction	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
 Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

