AUTHOR: No author available SECTION: STARBIZ PAGE: 19 PRINTED SIZE: 1082.00cm² REGION: KL
MARKET: Malaysia PHOTO: Full Color ASR: MYR 54,662.00 ITEM ID: MY0069085239

[redacted]

02 MAY, 2026

Power In play

The Star, Malaysia

Power in play

MALAYSIA'S power sector remains a place of investment opportunity, with steady earnings visibility. There is a rising wave of renewable-energy build-outs while grid access frameworks are also evolving.

Names like Tenaga Nasional Bhd (TNB) sit at the centre of this landscape, alongside a growing list of utilities and renewable energy players that are increasingly linked to Malaysia's energy transition roadmap.

As such, both RHB Research and UOB Kay Hian (UOBKH) Research recently reiterated their "overweight" stance on the sector, pointing to a mix of defensive earnings strength and expanding project pipelines across solar, gas and grid infrastructure.

Stock positioning remains fairly consistent with both.

RHB Research has TNB, YTL Power International Bhd, Solarvest Holdings Bhd, and Samaiden Group Bhd as its top picks.

UOBKH Research also has TNB and Solarvest as its top picks, alongside Pekat Group Bhd and Northern Solar Holdings Bhd.

For TNB, RHB Research assigns a target price of RM16.50, while UOBKH Research pegs it slightly lower at RM16.30. For Solarvest, RHB Research sets a target price of RM3.49, compared with UOBKH Research's RM3.

As for its two remaining top picks, RHB Research assigns target prices of RM5 for YTL Power and RM1.63 for Samaiden.

UOBKH Research, on the other hand, values Pekat at RM2 for Pekat and Northern Solar at RM1.

Defensive sector

Essentially, RHB Research says it sees the energy sector as a defensive sector, citing its resilience against higher energy prices, while UOBKH Research frames the sector's growth story around a sharp acceleration in renewable and gas-linked infrastructure.

In its recent report, RHB Reseach says: "We like energy as a defensive sector if the geopolitical conflict in the Middle East persists and results in a market risk-off mode."

This is because big-cap utility names such as TNB and PETRONAS Gas Bhd (PetGas) have minimal exposure to non-domestic risks, such as those involving fuel costs and foreign exchange, while regulated frameworks provide stable earnings with 4%-5% dividend yields.

"The cost pass-through mechanism for TNB and PetGas' regulated business ensures that cost fluctuations will have a neutral impact on earnings," it says.

In addition, RHB Research sees YTL Power as a potential beneficiary of higher gas prices, resulting in higher spark spreads.

In general, the impact of the recent increase in energy prices on TNB and other power producers has been minimal, as these are passed on to end-users via the monthly automatic fuel adjustment (AFA) mechanism, RHB Research points out.

"Since the AFA implementation last July, the government has continued to provide AFA rebates despite coal prices trading above the US$97 per tonne benchmark approved in the current regulatory period," it notes.

"This is mainly due to the stronger ringgit (against the US dollar) and weaker gas prices," it explains.

Further, RHB Research points out the impact of higher gas prices is minimal on the power sector, as unsubsidised gas (the most correlated to Brent crude) only makes up 9% of total generation fuel costs in Malaysia.

"The price of Tier-2 gas is indexed to 15% of the Brent crude price," it says.

RHB Research estimates that every US$10-per-barrel movement in the Brent crude price to only impact the AFA by 0.01 sen.

"We think coal prices (which make up about 60% of fuel costs) have a higher impact on tariff adjustments – and estimate that coal prices will need to reach US$180 per tonne to result in a three sen AFA surcharge," it highlights.

Growth story

On earnings momentum, RHB Research expects continued growth in regulated utilities for the first quarter ended March 31, 2026.

"We estimate 8%-9% year-on-year earnings growth for TNB in the coming quarter, on a lower tax rate and higher regulated revenue contributions," it states.

It also sees regulated capital expenditure (capex) recognition improving, adding, "regulated capex recognition to grow by 10%-11% on accelerated contingency project approvals."

YTL Power remains a mixed earnings contributor in the group's view.

"We expect YTL Power to recognise a RM33mil share of losses for its stake in Digital Nasional Bhd, but this should be mitigated by stronger contributions from its water and data centre (DC) businesses," it points out.

RHB Research also points to stronger recognition ahead for renewables-linked contractors, saying: "Solarvest's and Samaiden's earnings should grow, on higher recognition of their solar projects."

It also notes that policy timing is supportive, with the postponement of the implementation of the carbon tax allows more time for corporations to reduce their carbon emissions.

Meanwhile, UOBKH Research is optimistic about the prospects for the power sector, particularly the renewable energy segment, driven by elevated orderbook of solar power projects.

"We expect total solar photovoltaic capacity to exceed 6.5GW over 2026-2029 as the government calls for tenders for the large-scale solar (LSS) 6 project and sees the take off of Corporate Renewable Energy Supply Scheme projects," it says.

Assuming a construction cost of RM2mil-RM3.5mil per MW, total engineering, procurement, construction and commissioning (EPCC) replenishment opportunities are estimated at a whopping RM13bil-RM23bil in the next five years.

Additionally, UOBKH Research says, potential opportunities of up to 8GW of brownfield and greenfield gas-fired power plants, as part of the government's decarbonisation plan, are a boon for the sector.

On LSS6, it estimates that a construction cost of RM3mil-RM3.5mil per MW to result in total EPCC contract value of RM6bil-RM7bil.

Taken together, the sector's outlook continues to be anchored by regulated earnings stability and an expanding pipeline of renewable and grid infrastructure projects that keep utilities firmly in focus.

- Big-cap utility names have minimal exposure to non-domestic risks
- Optimism on prospects for power sector, particularly renewable energy segment
- Gas-fired power plants, part of government's decarbonisation plan, a boon for the sector

This visual is human-created, AI-aided