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No change to ‘buy’ call on TNB

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*Tenaga Nasional Bhd’s core earnings for the first half of the year came in at RM2.1 billion.* NSTP FILE PIC

**RM18.15 TARGET PRICE**

# No change to ‘buy’ call on TNB

**KUALA LUMPUR:** Tenaga Nasional Bhd (TNB) is well positioned to benefit from the sturdy economic growth this year and further lifted by the implementation of the new return mechanism for contingent capital expenditure (capex), said Hong Leong Investment Bank Bhd (HLIB Research).

The firm noted that TNB will also be supported by the expected moderation in its effective tax rate over financial years 2026 and 2027.

“We believe the recent share price sell-down presents an attractive opportunity to accumulate,” it said in a note.

HLIB Research said TNB reported relatively weak core earnings of RM834.3 million in the second quarter, mainly due to higher maintenance and decommissioning activities in its power generation segment, while tax expenses remained elevated during the quarter.

The group’s core earnings for the first half of the year came in at RM2.1 billion, broadly in line with HLIB Research’s expectations at 44.7 per cent of its full-year forecast.

HLIB Research said TNB maintained its financial year 2026 capex guidance of RM13 billion for regulated assets and RM5 billion for non-regulated assets.

“Capex deployment is expected to accelerate in the second half financial year 2026, which should drive earnings growth onwards.

“Major projects commenced in the first half of financial year 2026 are expected to progressively reach key work-in-progress milestones and completion stages from the second half of financial year 2026 onwards.

“Looking ahead, management has guided for higher regulated capex of RM15 billion in financial year 2027, underpinned by contingent capex/”

The firm added that TNB’s effective tax rate remained relatively high at 29.2 per cent in the first half of financial year 2026, as the group has yet to finalise the full extent of claimable tax allowances and incentives during the period.

“Nevertheless, management remains confident of achieving its financial year 2026 effective tax rate guidance of 24 per cent, implying a significant reduction in the tax rate for the second half financial year 2026.”

HLIB Research kept its “buy” call on the stock with an unchanged target price of RM18.15.