



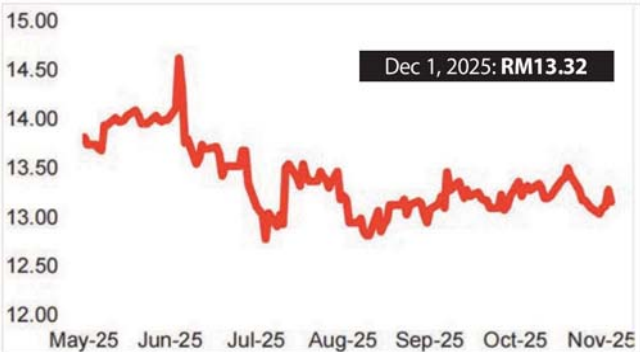
02 DEC, 2025

Tenaga Nasional Bhd Outperform. Target price: RM16

The Sun, Malaysia



Tenaga Nasional Bhd
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Source: PublicInvest Research

TNB reported a 3QFY25 core net profit of RM933.1m, higher 5.8% QoQ and tripled YoY. The improvement was driven by higher electricity sales and a more favourable fuel cost environment, with total generation costs broadly flat QoQ and significantly lower YoY, despite stronger demand, underpinned by lower delivered coal prices. This brings 9MFY25 core earnings to RM2,879.2m, broadly meeting our full year estimate at 72.5%.

TNB had earlier revised its demand growth projection to 2.8-3.8% (from 3.5-4.5%), yet 9MFY25 demand remained subdued at only 1.6%, weighed by persistent softness in the industrial segment while growth was driven mainly by commercial load. Nevertheless, revenue resilience under the RP4 framework continues to safeguard cost recovery and support TNB's expanding capex programme for grid and distribution upgrades.

The recent Ministry of Finance approval of TNB's Reinvestment Allowance (RIA) application under Schedule 7B further restores tax clarity and reduces structural tax risk by allowing future qualifying capex to be deducted against income.

Electricity demand continued to improve in 3QFY25, recording a 3.9% YoY to 34,653GWh, bringing actual demand closer to the levels assumed under RP4. This improvement, together with the new tariff schedule implemented in July 2025, resulted in only minimal Other Regulatory Adjustments (ORA) during the quarter, as revenue recovery was more closely aligned with actual consumption.

The commercial sector remained the main contributor with 9.8% YoY growth, while the industrial segment contracted 3.6% YoY. However, on a YTD basis, overall demand growth remains modest at 1.6%, still below TNB's revised full-year target of 2.8-3.8%.

We reaffirm our Outperform call with a DCF-derived TP of RM16. – **PublicInvest Research, Nov 27**